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Award date:
2016

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An institutional analysis of savings group development using evidence from Kenya

Markku Malkamäki

A thesis submitted for the degree of Doctor of Philosophy

University of Bath

School of Social and Policy Studies

September 2015

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List of abbreviations

ASCA	Accumulating savings and credit associations
CBT	Community based trainer
COSALO	CARE's Community Savings and Loans -project
COSAMO	CARE's Community Savings Mobilisation project
CPR	Common Property Resource
FBO	Faith Based Organisation
FEX	Foreign-Introduced Exogenous Institutions
FR1-N	Franchisee group no 1 from Nyamira
FR1-R	Franchisee group no 1 from Rachuonyo
FSD	Financial Sector Deepening Trust (in Kenya),
GSL	Group Savings and Loans i.e. Savings Group methodology
ICDC	Industrial and Commercial Development Corporation
IEN	Indigenously Introduced Endogenous Institutions
IEX	Indigenously Introduced Exogenous Institutions
KI	Key informant
KNTC	Kenya National Trading Corporation
Ksh/Kshs	Kenyan Shilling
KWFT	Kenya Women Finance Trust
MFO	Microfinance Organisation
MIS	Management Information System
MMT	Mobile Money Transfer
NGO	Non-Governmental Organisation
NIE	New Institutional Economics
PPI	Progress out of Poverty - index
RCT	Randomly Controlled Trial

ROS	Return on Savings
ROSCA	Rotating Savings and Credit Associations
SACCO	Savings and Credit Cooperative
SAVIX	Savings Groups Information Exchange -website
SG	Savings Groups
SHG	Self-Help Group
TOT	Training of trainers
VSLA	Village Savings and Loan Association i.e. Savings

Acknowledgements

The writing of this PhD thesis was not an easy task. During the research and writing process several people have helped me. Especially, I am profoundly indebted to my supervisor, Susan Johnson. She generously provided time, knowledge and ideas on each step of the research process. Your constant encouragement enabled me to complete the work.

I want to sincerely thank Financial Sector Deepening Trust in Kenya for providing funding for the data collection. I am also greatly indebted to my research assistants. Especially Henry Njoroge was instrumental in assisting in financial data collection and ensuring that the quality of data was as good as it could be. Michelle Hassan was of immense help in collecting the qualitative data with me during several rounds.

To all my friends and colleagues, your support in many different ways has meant so much - thank you.

My debt to my wife and family are too significant and numerous to detail here. Your unfailing support has been immensely important.

Abstract

A recent development in the field of microfinance has been the promotion of a specific model of savings groups intended to create a basic and sustainable system of financial intermediation by training members to operate using a lockable box, passbooks and rules regarding their operations. The model seeks institutional change through the implementation of this set of rules and procedures to achieve transparent and accountable operations. However, institutional change is not a straightforward process and how effective institutional change occurs has also become an increasing concern of the development literature.

This thesis therefore examines how effective and sustainable the institutionalisation of these rules in Savings Groups has been in Kenya, using recent theories for analysing institutional change. The focus is on understanding and explaining the variation in how the institutionalisation of new rules in such groups actually takes place. The evidence reveals a high degree of variation in how the rules were practiced, in the sustainability of the groups and the institutionalisation of the rules. The analysis examines the role of social relations and political power among group members and between groups and trainers in the outcomes produced. The theories employed all identified important but different dimensions of the institutional change process, in particular the necessity of having certain types of rules (Ostrom, 1990); the role of those with political veto power (Mahoney and Thelen, 2010); and the importance of culture and its relationship to external intervention (Boettke et al. 2008). The thesis argues that the insights of these theories need to be more systematically brought together by paying greater attention to the role of social and power relations, social norms and culture as well as how external intervention influences dynamics of institutionalisation. It concludes that savings group interventions which offer a “cookie cutter” approach to institutionalising rules are unlikely to produce sustainable results across a range of socio-cultural and political contexts.

CHAPTER 1. INTRODUCTION

1.1. Introduction

The promotion of savings groups (SGs) is a recent development in the field of microfinance. This has arisen, especially in Africa, because the success of microfinance organisations (MFOs) in providing services has on the whole been rather limited. In this context, the take-up of MFO services is by just a few percent of the population and the challenges of reaching remoter rural areas and poorer clients remains significant (Beck et al. 2011). These challenges have generated new interest to find models of financial service delivery that can offer basic services at lower cost for both providers and users than the MFO model. One of these models is the savings group approach. Savings groups are user-owned because members provide the capital for the group through their own savings and they are also managed by the members. User ownership and user management makes running savings groups cheaper for both the interveners and for the groups themselves. The methodology suggests that the providers bear only the cost of an initial training phase and supervision for a period of one year. The costs for the members are also much lower than for microfinance groups since the group leaders usually volunteer their time.

The purpose of the savings group methodology is to provide a basic savings and loan service by creating a simple and transparent approach to operating a group fund which can be sustained over the long term. It is essentially an accumulating savings and credit association - an ASCA - which has a set of rules that are seen as simple to follow and which regularly terminates, that is, there is a clear point at which all the funds of the group are divided out. This termination point not only gives members access to a lump-sum of their savings but in particular aids transparency and accountability by providing a point at which all the funds have to be accounted for. This contrasts, for example, with savings and credit cooperatives (SACCOs) and ASCAs that do not terminate. In these cases there is greater scope for misappropriation and poor repayment to persist over time leading to poor financial performance and the potential loss of savings though the risks of poor governance and exploitation by unscrupulous leaders (Balkenhol 1999). Underpinning the SG rationale, therefore, is a perspective that

accountability and transparency will lead to the formation of more robust groups that have a longer lifespan with improved security for poor peoples' savings.

However, the NGOs promoting this savings group methodology usually operate in areas where informal financial groups such as rotating savings and credit associations (ROSCAs) or accumulating savings and credit associations (ASCAs) already exist. Hence, from an institutional perspective the attempt to increase the transparency and accountability through the introduction of SGs can be seen as being driven by the intent to change the existing rules and institutionalise new ones. This process of introducing a new methodology in the form of a set of rules that is expected to be sustained over the long term is however not straightforward. Indeed, Dore notes in relation to his study of co-operatives in the 1970s that institutionalising new rules is essentially about "institutionalising suspicion" and is not easy (Dore 1988, 58; here Johnson and Sharma 2007). He argues that for it to happen successfully there needs to be a balance between the mutual trust that enables such groups to come together in 'traditional' societies and the mutual suspicion which the rules seek to develop through their application of "rational accounting methods", but this "trick is an immensely difficult one" (Dore 1988, 58).

The focus of this research is therefore to examine how the savings group (SG) methodology is working in practice. In particular to examine how SGs are being adopted and used and to investigate the process of institutional change that they are seeking to bring about. The research does this by employing recent approaches to the analysis of institutional change. A phase of development of rational choice institutionalist theory such as that of North (1990; North 2005) has been criticised but also further developed. Recently historical institutionalist analysis has undergone new development such as through an attempt to understand the dynamics of more gradual institutional change by Mahoney and Thelen (2010); while Boettke, Coyne and Leeson (2008) have also made a contribution. I will draw on these to investigate the degree to which each can explain the adoption and use of SGs from an institutional perspective also deploying the more specific analysis of collective action arenas presented by Ostrom (Ostrom 1990, 2005).

This chapter proceeds as follows. In section 2, the context of financial sector development policy, the informal financial sector, the SG intervention and a brief overview of the literature on ROSCAs and ASCAs is presented in order to give the background to the research question. In section 3, developments in institutional theory as the theoretical context of the research are laid out. Section 4 then outlines the objectives of the study, and section 5 provides an outline of the study.

1.2. Policy context

1.2.1. Financial sector development and the informal sector

There is a broad consensus that the robustness of the financial sector is one of the leading contributors to economic growth (Levine 2005). It promotes economic growth through mobilising and pooling resources and then allocating them based on risk and return assessment and enabling higher risk to be taken but also higher return investments to be made. The financial sector further provides risk-reduction and risk-pooling products (Honohan 2007).

Over the past decade at least, discussions have focused on the relationship between financial sector development and poverty reduction (Beck et al. 2007; Lawrence 2006; Green et al. 2006). Even though there is currently rather little evidence that this sector can have a direct impact on poverty reduction, Demirguc-Kunt et al. demonstrates with empirical evidence that “improved access to finance is not only pro-growth but also pro-poor, reducing income inequality and poverty” (World Bank 2008, 17).

Even though there is a broad agreement on the importance of the financial sector for economic growth and development, access to financial services is still limited in Africa. In Kenya, only 29.2% of the population have savings accounts in banks and building societies and only 3.6% have a loan from a bank (FinAccess 2013). For a long time microfinance was regarded as a solution to the problem of access especially for poorer people. However, microfinance NGOs and banks have in most of the countries in Africa not provided financial services for more than a small part of the population. Hence, major donors in the field shifted policy to “Access for All” (Helms 2006; World Bank 2008), where the approach is to support not only microfinance NGOs and microfinance banks, but also, a broad range of financial organisations in order to stimulate pro-poor provision (Helms 2006; World Bank 2008). Moreover, the early focus on credit has given way to controversy over its impact (e.g. Bateman and Chang 2009), and evidence from randomised control trials has also been demonstrating that credit alone has little impact on poverty. Drawing from six randomised evaluations of microcredit in Bosnia and Herzegovina, Ethiopia, India, Mexico, Mongolia and Morocco, Banerjee et. al. (2015) conclude

that when analysed jointly the six studies did not reveal strong evidence that poverty of the participating households had reduced or incomes had increased.¹

Additionally, evidence from Collins et. al (2009) in *Portfolios of the Poor* shows that poor and ultra-poor households, actively save and manage money. Indeed, saving and borrowing often are interlinked; people use their savings for major investments as well as borrowing funds. For example in Bangladesh on average of 10 different financial instruments were used by an individual, several of which were savings instruments. In South Africa the poor and ultra-poor used on average 17 different financial instruments, four savings, two insurance and 11 credit instruments. When income flows are not only low but more importantly irregular, clients valued places where they could save money safely.

As a result of this increased interest in inclusion and the recognition that credit alone is not the solution to poverty, there is a growing body of literature highlighting the importance of savings for the poor. Armendariz and Morduch (2010) note that even the term microcredit has been replaced in much of the literature with microfinance indicating that poor households may also benefit from other financial services besides credit. In particular this has led to a number of experimental studies examining the effect of making savings accounts available.

Dupas and Robinson's (2013a) study from Western Kenya highlight the importance of savings accounts for market vendors. The research team randomly selected a sample of women and men. All the women were market vendors and all the men were bicycle taxi operators (boda boda operators). Roughly half of the sample was then again randomly selected and the research team asked the selected men and women whether they wanted to have a non-interest bearing account opened in the bank. The research team paid all the costs related to account opening for the respondents that were interested in opening an account. Of the sample 13% were not interested in opening an account, 42% allowed an account to be opened but never used it. However, a substantial share of the remaining 45% used their account actively. The results indicate that after four months of opening the account female members of the treatment group that had access to an account increased their average productive investments with 40%. Likewise, women's daily food expenditure increased on average between 13 and 28%. However, opening accounts for men did not have an impact on their investment behavior. These findings illustrate the potential impact, especially in the case of women, but caution needs to be exercised when drawing conclusions since both the sample and timeframe were

¹ However, there were indications that the businesses expanded and profits increased. However the evidence why this is not reducing poverty or increasing the incomes of the participating households was mixed.

short and the results quite strongly skewed with the benefits arising for less than half of the users.

In order to understand why poor households have challenges in saving even though the findings indicate that they have small amounts that they could save, Dupas and Robinson in a further experimental study (2013b) tested the effect of different commitment devices on savings. The experiment was set-up as a randomized control trial in Western Kenya consisting of 113 existing ROSCAs. The ROSCAs were divided into five different groups, four treatment groups and one control group. All the groups, including the control group, were encouraged to save for health related investments, but in addition to encouragement, the treatment groups used different types of commitment devices, for example a lockable safe box. Their findings indicate that all the different devices that encouraged saving were very effective. Between 66 and 97% of the members used them and on average the health savings in the four treatment groups were 66% higher than in the control groups. These two studies by Dupas and Robinson seem to indicate that there are welfare improvements as a result of savings services, even though it was only women in the first study and mainly women in the second study, since the majority of ROSCA members were women. While commenting Dupas and Robinson (2013a and 2013b) and other studies on savings, Karlan et. al (2014) note that even though these studies show promising results in terms of up-take of savings and increased savings levels, these studies fall short of measuring clients and households overall financial wealth and overall welfare. Karlan et al. (2014) also wonder whether the substantial increases in savings, investment and consumption would hold, if all whole population in a certain area would have access to the same financial services that the experiments of Dupas and Robinson and others provide. Nevertheless, Karlan et al. (2014) note that the poor can save and actually do save, but that both the informal and formal savings products used are often high risk, costly and not necessarily appropriate for the poor concluding that the quality of both informal and formal savings products needs to be improved. Informal user-owned organisations, such as Rotating Credit and Savings Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs)² have been found to exist across the world (Ardener 1995; Wilson et al. 2010). However, while these informal financial groups were one of the major inspirations for the development of group-based microfinance models, with expectations of high repayment, microfinance models evolved to have much

² Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs) facilitate saving and lending within groups. In a ROSCA group meeting savings are collected, the whole pot is then immediately given to one member through either a ballot or order of rotation. In the case of ASCAs, funds are lent to willing borrowers who repay them with interest. The interest paid on the loans then accumulates in the group fund and may be paid out as a dividend to the members.

greater management and control by MFOs themselves (Jain 1996). The question of how to work with informal groups has received diminishing attention, but with the new, more pluralistic donor policies of the past decade, there has been renewed interest to this sector.³

One reason why financial inclusion via the informal sector has not been considered important in the past is that it was assumed that this sector would decline once people had access to formal financial services. However, findings from the last Kenyan FinAccess survey (FinAccess, 2013) indicate that despite the fact that formal financial participation is increasing, participation in informal groups is still very significant. For example in Kenya, they still serve some 27.7% of the population (FinAccess 2013). This may be because they provide forms of financial intermediation that are complementary to formal service use. Nevertheless, experience with informal user-owned groups in the past has also demonstrated many challenges in their operation. For example, the FinAccess data reveals that 20% of the approximately 8% of the population who are ASCA users, have lost funds in their groups (Malkamaki 2011).

Findings further indicate that microfinance organisations and microfinance banks largely fail to provide basic financial services to poorer people and those living in remoter rural areas (Johnson et al. 2006). The cost of reaching clients is higher in rural areas because of longer distances that field officers need to travel to service the groups and roads are also often in poor condition or do not exist. Moreover, microfinance organisations (MFOs) have to cover their operating costs from the interest income that they receive from the loans that group members take. However, the debt capacity of the poor clients living in remote rural areas is limited. Further, the clients may need credit only during certain times during the year, which leads to small and seasonally fluctuating loan portfolios that are often not enough to cover the operating costs of the MFOs (Allen and Panetta 2010). These challenges for MFOs have generated new interest to find models of financial service delivery that can offer basic services for poorer clients and remoter areas at lower cost for both providers and clients than the MFO model.

1.2.2 Promoted savings groups

One of these models is the savings group approach that is now promoted by a number of NGOs. Setting up and running SGs is cheaper for both the interveners and for the groups themselves,

³ For example in Kenya DFID, World Bank, Swedish SIDA, Gates and Rockefeller Foundations support the work of Financial Sector Deepening Trust on informal inclusion.

for, in particular, unlike an MFO, the intervening agency does not provide loan capital for the groups. The promoted SG model as it is now being widely used was first developed by CARE in Niger. Currently a number of international NGOs such as CARE, Catholic Relief Services (CRS), Oxfam, Plan, PACT and the Aga Khan Foundation train groups using this model in numerous African countries, with several local NGOs having also adopted it or variants of it.⁴ Trained groups currently serve around 14.5 million members.⁵ This figure does not include groups trained by the increasingly large number of small southern NGOs.

As discussed in the introduction, the aim of the savings group methodology is to reach remoter areas and poorer people than microfinance organisations have been able to reach. In order to do this, the costs for the interveners have to be lower. As aforementioned, setting up and running SGs is cheaper for both the interveners and for the groups due to the fact that the members themselves both provide the capital and manage the group operations. The costs that the interveners bear are group training and supervision for a period of one year.

SG methodologies come in many different varieties but share many core principles. For instance, all SGs are essentially time-bound accumulating savings and credit associations (ASCAs). Members save together, borrow small loans from their savings, distribute their savings and income at the end of the year, as well as usually give access to emergency insurance from the group's social fund. Usually one group has between 15 and 30 members. This study will investigate one particular model promoted by CARE and which is termed the Group Savings and Loans (GSL) model.⁶ From now on I will refer to the GSL methodology using the more generic name savings groups (SGs) and I now outline its approach.

During the preparation phase, CARE introduces the SG concept to the community through the trainers, who ask the members to identify other community members with whom they want to form a group. After the group has self-selected its members, it then calls the trainer and asks to be trained. During an intensive three-month training phase, a trainer visits the groups every week and trains them on group methodology, rules, incentives and sanctions. During the initial training, SG members receive orientation training on the process of saving and taking loans as well as instruction in group management. After being trained on the roles and responsibilities of group leaders and members, members select their own leaders: a chair, secretary, treasurer

⁴ The Self-Help Group (SHG) model that has been promoted in India by NGOs with extensive Government support, has many similar features and now reaches some 50 million clients. Much emphasis is being put on linking them up to the banking system – which has not been a key feature of the current SG model in Africa.

⁵ E-mail correspondence 1.9.2015 with Hugh Allen.

⁶ Also known as VSLA (Village Savings and Loan Associations).

(box-keeper) and money-counters. The groups are also instructed in recordkeeping. After the group has been trained, a development phase starts where the trainer visits the groups every two weeks or once a month as it becomes more independent. After three months, the trainer is supposed to come only once a month and after 12 months s/he ceases to visit the group and it is expected to continue autonomously (Grant and Allen 2002).

A key feature of the methodology is the use of a metal cashbox with three locks. Its purpose is to ensure that transactions only take place during the group meetings when all the members are present and it is formally opened. After the meeting the remaining cash as well as the ledger and/or passbooks are supposed to be locked in the box. Three members of the group (who are not officeholders) are supposed to keep the keys and the box is next opened during the following meeting when all the members are again present. Savings collection and issuing of loans are supposed to take place only during the group meetings. The aim of the cashbox and transacting only during the group meetings is to increase transparency and trust (Grant and Allen 2002; Singer 2008; Otieno 2009; Allen and Panetta 2010; Allen and Staehle 2006). At the beginning of this particular project, CARE used a centralised ledger where all the members' savings and loans were recorded. Later, this approach was changed and groups were instructed on how to use passbooks as the only record keeping system necessary. Those groups that had been initially trained on ledger use were also introduced to the passbooks.

In general, during the initial training, groups are supposed to develop their own rules by answering a set of questions that the implementing organization provides. There are some rules in the methodology that the implementing organisation insists the groups follow, in particular, it requires every group member to save at every meeting and usually, that the loan terms have to be set. It generally also insists that groups hold elections for group leaders once a year. Then there are other areas where the groups can formulate the rules. For instance, they are encouraged to decide upon a number of fines that they should levy on those not following the group rules. In order to facilitate and speed-up the savings and loan process the SG methodology suggests that group members always sit in the same place in a circle in order of their group membership numbers (Allen and Staehle 2006). However, CARE dropped this part of the methodology, since very few groups actually followed the rule (CARE project director, Own observation).

In answering questions intended to help form the constitution, the groups are also expected to define how often and when it will meet as well as what the value of one share is. At each meeting each member has to save at least the value of one share and at most five. According to

the methodology, the value of one share should be so low that even the poorest member is able to save it, whilst it should be sufficiently high that the value of five shares would make it attractive for wealthier members to save. The groups are also trained on the repayment of loans, with the methodology suggesting that members could keep loans between one and three months. In addition, they are asked to set the monthly interest rate, with nearly all of them charging 10% per month. As part of the constitution making process, groups are asked to discuss what penalties are to be enforced if members do not repay loans on time (Allen and Staehle 2006).

On a date chosen by the members, usually after about a year and called a cycle, all the financial assets are divided among the members in proportion to each one's savings. This pay-out is called "share-out" and, at the end of the first cycle, the trainer is supposed to train the leaders on how to perform it. According to the methodology employed, if a member has not repaid her loan at the time of share-out, the value of her shares equalling her loan is supposed to be cancelled from the records. This is a penalty for not clearing the loan and means that group profits are to be allocated only to those shares that remain, or in other words only for those members who have repaid their loans. After the share-out which effectively liquidates all the groups assets, groups normally re-form immediately (that is, in the same meeting) and start a new cycle of savings and lending. The groups rely solely on their own savings and have no access to external funds either from banks, NGOs or other groups. As aforementioned, after the initial training and supervision period of 12 months the trainer is expected to stop visiting the group, which is then supposed to continue operating on its own. If groups want to, they are also able to contribute to a social fund to cover emergencies or costs of burials of group members or their relatives (Allen and Panetta 2010; Grant and Allen 2002; Singer 2008).

In addition to these general characteristics this particular CARE project, named COSALO that was studied in this research was also testing out different ways of delivering the training and supervision. The Financial Sector Deepening Trust (Kenya), who funded the COSALO project, suggested that besides direct delivery through its own staff, CARE should also test alternative channels for delivering training. This was to examine whether the training could be delivered at lower cost and also the potential for scale by involving different types of organisations in the delivery, since a major scale-up of the intervention across the country was not thought to be viable financially or organisationally using a direct NGO delivery approach. So, for COSALO, CARE used three delivery channels:

1. Direct delivery channel: implementation using community based trainers (CBTs) managed by CARE. As in CARE's earlier projects, COSALO hired community members with mobilisation skills and paid them a monthly salary as well as supervising them.
2. Faith based organisation (FBO) channel: CARE signed agreements with several local churches that had a wide following in the area, and trained them to train the groups.
3. Franchisee channel: local businesses who would train groups as part of their business were identified. They were expected to be well established and know the area well. CARE called this a franchisee model. Towards the end of the project CARE viewed the franchisee channel as being its most effective delivery channel because it had been highly successful in mobilising groups compared to the other channels and hence with a lower cost per trained member.

The FBO and franchisee delivery channels operated on the basis of a performance incentive payment system for undertaking the training. They received Kshs 130 (approx. US\$2 at that time) for each group member who received training. The trainers themselves working for the church and the franchisee owner received Kshs 130 for each trained member. The payment for the churches, franchisees and trainers was made in two instalments, 67% immediately after the group had been trained and started operating, and the remaining 33% was paid after one year, after the first "share-out", where the group divided its savings and profit among the group members before starting a new cycle.⁷

The SG approach therefore sought, first of all, to develop these groups in order to enable access to people who did not have access to financial services. Moreover, it was anticipated that after supporting groups for one year they would have adopted the methodology and could be left on their own to continue sustainably delivering the financial services (see e.g. Anyango et al. 2007). That is, the model was expected to improve the outreach of the informal financial sector, thereby assisting financial inclusion and ensuring the sustainability of groups in the long run in delivering a basic financial service.

In summary, the promoters see the methodology as fostering transparency and accountability and with an expected long term survival rate of 90 percent, through training that addresses the following (Allen and Panetta 2010):

⁷ The main manual that was used by CARE when training the trainers and implementing the program was Hugh Allen and Mark Staehle (2006) Village Savings and Loan Associations. Programme Guide Field Operations Manual.

- groups develop rules for themselves on the roles and responsibilities of leaders and members
- groups elect leaders every year
- groups are trained in simple bookkeeping
- financial transactions are only carried out during the group meetings when everyone is present
- groups use a locked box where the cash and records are kept between meetings.

To date there have been a number of studies of SGs examining outreach, impact and sustainability although few of these have been published in the academic literature. A review of results is provided by an edited volume by Nelson (2012) drawing together a range of grey literature and experience from across the sector. In particular, Johnson and Storchi (2012) review the record on outreach and conclude that SGs are more accommodating for poor people than most other financial services. However, most of the SG programmes did not target the poor, but rather the members self-select themselves. In these cases, like for example in a SG programme in Uganda, SG members were less poor than the overall population. On the other hand in Kenya 64% of the SG members were below the poverty line, when only 38% of the national population were below the poverty line. The high poverty rate among members was explained by the programme targeting some of the poorest areas of Kenya (Johnson and Storchi 2012). Since that book was published, similarly, Lønborg and Rasmussen (2014) found in Malawi that the SG members were less poor than the overall population in the area.

The most thorough and extensive study of a programme has been a three year randomized control trial in Mali that also had an extensive and separate qualitative component. Women who participated in the SG program were, on average somewhat wealthier than non-members. However, 82% of the population in the villages lived below the poverty line, thus indicating that the programme was indeed working with very poor clients. (Bureau of Applied Research in Anthropology and Action 2013). The random control trial (RCT) findings show that in treatment villages there was an increase in savings (31%) and on loans (12%) as well as an increase in food security and an increase in livestock investment when compared to the control villages. However, the researchers did not find any significant effect of the programme on health, education or income.

As aforementioned, SG methodologies operate in areas where indigenous forms of ROSCAs and ASCAs have long operated. These have been the subject of anthropological and economic

studies for some time and can give a perspective on the potential opportunities and challenges that promotion of the SG methodology is likely to face in practice. Consequently, the next section gives a brief overview of the literature and how it has treated their successes and failures.

1.2.3 Indigenous ROSCA and ASCA: successes and failures⁸

The fascination with ROSCAs and ASCAs in the literature arose from a growing appreciation of their flexibility, multi-purpose and multi-dimensional role in both economic and social life. From an economic perspective, Besley et al. (1993) were keen to understand why people co-operated to save in such a way rather than simply to save alone. They demonstrated that ROSCAs are an efficient mechanism for saving to buy a consumer durable good since each individual (except the last) will be able to buy the good earlier than she would if saving alone. More recently, economic research has analysed the commitment aspects of ROSCAs, for which two specific explanations have been put forward: household conflict and self-commitment. According to the first explanation there are conflicts within households and ROSCAs are a device through which women can commit the household to saving more than the husband would like (Anderson and Baland 2002). However, Aliber (2001) and Gugerty (2007) claim that the main reason people join ROSCAs is self-control problems, for without a ROSCA or an ASCA all the potential small savings would be used in household needs. The underpinning rationale is that peer group pressure and encouragement will bind the members into committing themselves to saving, in the absence of which they would find much harder to be able to save.

While economists have sought to examine the rationality behind their financial mechanisms, anthropologists have been fascinated with ROSCAs as a “cultural invention” (Velez-Ibanez 1983) and Shirley Ardener (1964) and Clifford Geertz (1962) were the anthropologists who brought their study to the fore in the 1960s. Ardener documented their diversity in a range of contexts and has argued that the social and economic functions of ROSCAs are inseparable (Ardener 1995).

Indeed, with respect to this study Geertz’s contribution is of particular interest. Geertz’s classic article argues that they represent “intermediate” forms of institution between a traditional and

⁸ This section draws from a literature review that was previously published in Johnson, S., Malkamäki, M. & Niño-Zarzúa, M., 2012. El papel de los grupos informales en los mercados financieros: evidencias de Kenia. In: M. Villarreal & L. Angulo, eds. *Las Microfinanzas en los Intersticios del Desarrollo: Cálculos, Normatividades y Malabarismos*. Guadalajara, Mexico.

more modern or developed societal context in which their “functional significance is primarily to facilitate social and cultural change” (Geertz 1962, 262). Even if peasants continue to work as peasants, Geertz claimed that they still needed the mind-set of traders. Through ROSCAs, peasants

“learn to be traders, not merely in the narrow occupational sense but in the broad cultural sense; an institution which acts to change their whole value framework from one emphasizing particularistic, diffuse, affective and ascriptive ties between individuals to one emphasizing—within economic contexts—universalistic, affectively neutral and achieved ties between them... The theoretical as well as the practical interest of the association lies in its ability to organize traditional relationships in such a way that they are slowly but steadily transformed into non-traditional ones” (Geertz 1962, 260-1).

He argues that the ROSCA therefore represents two contrary forces:

“one which reflects the increased segregation of economic from non-economic activities and a freeing from traditional constraints; while at the same time have a directly contradictory attempt to maintain the dominance of the traditional values” (Geertz 1962, 261).

Geertz sees them as a phenomenon of social transformation suggesting that they will be “self-liquidating being ultimately replaced by banks, cooperatives and other economically more rational types of credit institution” (Geertz 1962, 263). Hence, in contrast to Dore’s concern about the difficulties of “institutionalising suspicion” in co-operative societies as indicated in the introduction above, Geertz is rather more positive about the way in which ROSCAs might in fact facilitate this shift.

Indeed, while the fascination in both the economic and anthropological literature has on the whole been to celebrate their benefits, there is literature that does also reveal their limitations. As Bouman (1995) points out, a

“low rate of default is assumed to be self-evident because of peer pressure...denials of misconductare accepted by researchers at face value. Proper investigation is almost impossible without access to books and records. Outsiders, that is non-members or former members may tell a different story” (Bouman 1995).

Research on ROSCAs in Benin found that 26% of members had experienced problems in their groups, with 25% not concluding a full cycle. For about 40% of these respondents, the reason was financial irregularities, such as irregular payments to the pot, members leaving the group early and not being willing to continue paying or the groups organiser (president) leaving with the money (Dagnelie and LeMay-Boucher 2008). They also discovered that ROSCAs that were organised and managed by one person performed much worse than those that had a committee managing affairs, for they tended to have written rules and elected leaders. Handa and Kirton (1999) found that 10% of their Jamaican sample experienced problems in their ROSCA groups and these were mainly the late payment (50%) or delinquency (25%). Anderson et al. (2004) also discuss the problems of contributions faced in ROSCAs in the Kibera slum in Kenya, finding in particular that those who were lower ranked in the order of pay out or who had already received their share of the pot often failed to pay.

A further reason why the literature tends to view default as minimal in these systems is that anthropologists tend to regard the fact that funds are repaid in some form at a later date as repayment. Hence, for example, Nelson writes that the Kiambu group was very successful and reports 23 cases of what she calls “negotiated temporary default”, whereby members paid at a later date (Nelson 1995, 62). Additionally, Alila et al. conclude that default is minimal in these informal systems and report that gifts were used in some cases to make up the default (Alila 1992). Indeed, the underlying issue here is that debt is a social relation and in many African systems regarded as open ended (Zegers 1989). Drawing on Berry (1993), Johnson uses the term “negotiability” to refer to the flexibility of these systems in this respect. She argues that it is the fact that the underlying social relationships allow for renegotiation of debts is a key reason for the popularity of these mechanisms in Central Kenya in the late 1990s (Johnson 2004b). This negotiability means that the risk of entering debt relations through these systems is reduced compared to borrowing from the formal sector and hence, in the context of uncertain livelihoods is more compatible. However, it is this element of negotiability and its intrinsic flexibility that contain both the greatest strength of these systems and their greatest weakness since it also enables powerful individuals to manipulate them to their own advantage (Johnson et al. 2002a). Hence, the power dynamics of the social relations in which these systems are embedded are also a key source of their failure.

To conclude, the literature on the ubiquity of ROSCAs and apparent success must be balanced with acknowledgment of their failures and the potential pathologies that underlie them. For a number of reasons these failures might have been less evident to researchers – not least because failed ROSCAs are hard to study as they no longer exist. Moreover, the embeddedness

of their economic functions within wider social relations is both a reason for their success and failure. The dynamics of the power relations that such embeddedness involves can inevitably result in default and fraud. It is perhaps not surprising then, that external intervention which has been premised on their apparent success has met with widespread failure and has led Bouman to conclude, somewhat pessimistically, that “we must finally accept that indigenous self-help societies have their own ways of helping themselves and their own views of what Utopia looks like and at what tempo to get there (Bouman 1995).

1.2.4. Conclusion

This section has shown how the promotion of SGs is seen by policy makers as a means to increase financial inclusion through the spread of an approach that can provide a basic financial service. It is intended to reach poorer people and more remote areas than microfinance institutions have been able to through being savings led and through the search for low cost models of promotion. It is also intended to provide more transparent, accountable and safer services than the indigenous ROSCA or ASCA groups. However, in promoting this approach to financial inclusion, interveners are not working from a clean slate. In many, if not most developing, country contexts - as has been indicated above – there is a range of existing informal sector forms of financial arrangement. Invariably, therefore, this methodology is being implemented within the context of indigenous group-based financial institutional arrangements. Also, the underlying social relations will have an impact on how the methodologies perform. This means that the attempt to proliferate and “improve” on existing arrangements in terms of the transparency and accountability regarding how they work involves assumptions about how the adoption of such technologies takes place. Essentially, the SG methodology represents an attempt to change the rules and norms within which people operate such transactions and hence, can be seen to be aimed at delivering institutional change. It is within the theoretical frameworks for analysing institutional change that I therefore want to consider how the SG methodology is being adopted and used.

1.3. Theoretical context

1.3.1. New Institutional Economics

New Institutional Economics (NIE) operating within rational choice institutionalism undertakes two levels of analysis – both at the micro level of analysing information and transactions costs associated with particular market operations, and at a broader level pertaining to how changing transactions costs are related to economic development. In the area of financial sector development NIE has been applied quite extensively to understand financial transactions through analysis of the transactions and information costs involved in lending. In this review I will be looking at how NIE has addressed institutional change and how historical institutionalist perspectives go beyond it in providing explanations for institutional change.

Within NIE the theoretical work for analysing financial markets lies mainly in transaction costs economics as well as in the imperfect information approach (Armendariz de Aghion and Morduch 2005). Imperfect information approach has been a primary analytical approach for explaining the success of microfinance groups. For proponents of NIE, institutions exist in order to reduce transactions costs (North 1990) and one way of doing so, is to mitigate adverse selection and moral hazard. The key contribution of the imperfect information perspective that has formalised adverse selection and moral hazard is that it was able to explain how joint liability⁹ could, in theory, solve imperfect information problems and lower transactions costs for lending through microfinance groups (Ghatak 2000; Armendariz de Aghion and Morduch 2005; Conning 1999; Chowdury 2005). The transactions costs approach sees institutions as the means through which these costs are reduced in order for economic development to take place. Hence, this approach analyses the situation not only from lenders perspective, but rather, whether institutions will reduce the overall transactions costs of the contract. For example Llanto and Chua (1996), Karduck and Seibel (2004) and Shankar (2007) have compared the transaction costs of different financial institutions as well as savings and credit groups. However, this approach has been criticised for being non-dynamic. That is, it is a useful tool for comparing the transaction costs of different systems, but it does not provide tools for understanding how institutions change (Granovetter 1985).

⁹ Joint liability is a contract between a financial organisation and a savings and credit group where the financial organisation promises to provide to each group member with loans as long as the group members are willing to guarantee to repay other group members' loans if the other members do not repay the loans to the organisation.

However, another strand within NIE, as represented by North, is dynamic and focused on economic development. For North, the most important reasons for institutional change are changes in relative prices which is a dynamic process and this highlights the fact that he is trying to build NIE within the neoclassical framework. Relative prices are important because they change the incentives of individuals, specifically referring to changes in the ratio of land to labour, changes in cost of information and/or changes in technology. For him, it is maximizing entrepreneurs (in the field of economy or politics) who make innovations that change relative prices (North 1990 and 2005).

North (2005) argues that the key driver of institutional change is the interaction between institutions and organisations. For him, institutions' formal and informal rules determine the types of opportunities that exist in an economy and what types of organisations can be formed. In a competitive market place the leaders of organisations see new opportunities and they push for institutional changes (changes in the rules) in order to stay competitive. Nevertheless, at the same time the existing institutions constrain change and organisations that have been formed to support current ones, in turn, defend the existing development path.

Since the key reason for institutional change within NIE is market competition, changes in institutions are supposed to lead to more efficient outcomes and reductions in transactions costs (Argandona 2004). According to North, one of the key reasons why inefficient institutions or institutions that do not enhance the welfare of the society continue to exist is "path dependency". This refers to the phenomenon that if one alternative has been chosen in the past, the likelihood that the same one will be chosen again is greater. North claims that it is easy to understand that actors in different geographical areas have had different challenges which they have tried to solve in different ways and the initial institutional choices different societies have results different paths of institutional development.

When evaluating the significance of NIE, Toye (1995) acknowledges that it has brought institutions into economics in a way that has enabled economists to start discussing them. However, he claims that as a macro level theory that is trying to explain the development process, it has not brought anything new that other disciplines have not been able to explain. Similarly Harriss (2008) claims that NIE is not in a position to explain historical change. Toye criticises what he calls the "functionalist" view of the institutions where their role of institutions is seen as finding solution to specific problems (Toye 1995). That is, according to the functionalist view, institutions are there to solve economic problems and reduce transactions costs. However, this view does not take into account the norms that are also part of institutions

and that cannot be changed consciously. Harriss (2008), Toye (1995) and Bates (1995) conclude that since the study of politics, history, sociology and anthropology have not been successfully integrated into NIE and because of methodological challenges it is probably not possible to do so, but rather, should be embedded in the study of the aforementioned fields of academia.

Despite some NIE authors having used the transaction costs approach to empirically study financial institutions, especially microfinance groups, Casson et al.(2010) conclude that much of the discussion on institutions is on a macro-level and highly abstract. Also, much of the empirical institutional analysis has been of cross country studies and Casson et al. claim that these are

”plagued by the endogeneity of institutions to growth. We therefore need on the one hand to provide precise descriptions of the mechanisms through which institutions play a role in determining development outcomes, and on the other hand to move beyond cross-country studies to explore the heterogeneity of institutions in different countries, which is best achieved through studies based on micro-data” (Casson et al. 2010, 137).

Further, institutional analysis has largely concentrated on formal institutions. According to Jütting (2003), most of the studies do not distinguish clearly between these (formal rules) and informal institutions (informal norms), nor do they pay enough attention to the role of informal norms, which need to be taken into account. Moreover, very few authors discuss social institutions, such as ethnicity, caste or religion. Owing to the above oversights, NIE has been criticised for having an incomplete understanding of institutional change.

1.3.2. Historical institutionalist approaches to institutional change

Historical institutionalism has a long theoretical tradition of its own in political studies, and according to Hall and Taylor grew as a response to group theories of politics and structural functionalism in the 1960s (Hall and Taylor 1996). It accepted but sought to go beyond the idea that conflict between groups for scarce resources lay at the heart of politics wanting to understand the specificities of the settlements that characterised different contexts. In particular they identified the political economy features of a situation as critical, rather than the social, psychological or cultural traits (Hall and Taylor 1996).

Hall and Taylor suggest that historical institutionalism has four features. First, they see the relationship between institutions and individual behaviour in broad terms. This contrasts a more “cultural” with a “calculus” approach, seeing individuals as affected by a worldview in which their actions are affected by routines, symbols and so on, such that institutions affect their identities, self-images and preferences. This does not render individuals irrational but shows how such routines and preferences are taken for granted and since they are collective constructions, “institutions are resistant to redesign ultimately because they structure the very choices about reform that the individual is likely to make” (Hall and Taylor, 1996: 940).

Second, they are particularly concerned with power asymmetries, recognising that individuals and organisations have differential access to decision making power and that this will lead to some as winners and others as losers. Third they are concerned with path dependence and unintended consequences. This perspective emphasises the way in which change forces will not have the same results everywhere but rather they will be specific in time and place due to the context which is strongly derived from the past. Indeed, the key inherited feature is institutions and hence tend to lead development along a particular set of paths. Finally, they are interested in how other factors such as socioeconomic development and ideas and beliefs affect outcomes, not anticipating that institutions will be the sole cause of change.

Mahoney and Thelen (2010), coming from the historical-institutionalist school, agree with Harris that NIE does not have a comprehensive theory of how institutions change.¹⁰ Indeed, the reasons for change within NIE are often an exogenous shock that forces the institution to change (Mahoney and Thelen 2010). Their recent contribution has attempted to develop a more comprehensive theory of institutional change that also considers the endogenous gradual evolution of institutions. They do this by defining institutions as “distributional instruments laden with power implications” (Mahoney and Thelen 2010, 8).

In addition to this balance-of-power approach, Mahoney and Thelen introduce another concept they call compliance. Regarding which, they claim that compliance within NIE is usually part of the definition of an institution. However, these authors argue that, if institutions are not assumed to be self-reinforcing and also that distributional issues are indeed central, then compliance is not automatic and becomes a variable that has an impact on whether institutions

¹⁰ Mahoney and Thelen also claim that the two other institutionalisms namely Historical institutionalism and Sociological institutionalism do not have a convincing theory of change of institutions, but since this piece of research mostly deals with NIE, however, I will not discuss the critique of Historical and Sociological institutionalisms here.

remain stable or whether they change. Through the concept of compliance they have also allowed for the introduction of the dynamics of power and politics into the analysis.

However, Mahoney and Thelen's analysis is solely endogenous and hence does not cover external intervention. As a consequence, I turn to Boettke et al. (2008) in order to address this oversight. While Boettke's work fits with the Austrian school which is in many ways rationalist in its approach, his approach is to propose a theorem that contains both endogenous and exogenous rules as well as indigenous and "foreign" introduction of them. Specifically, their theorem is able to accommodate both exogenous rules introduced by outsiders, whilst at the same time also taking into account the endogenous elements, which according to the authors are close to local culture and the closer the institution is to this culture or *metis*, the more likely it is to stick. On the other hand, foreign introduced exogenous rules are least likely to stick, since they are furthest away from local culture. As discussed in subsequent chapters, since the SGs have elements of both endogenous and exogenous rules, with indigenous and foreign introduction, the theorem thus brings up the matter of the balance between the different elements.

However, Boettke et al. do not address the concept of culture in any greater detail, they do not discuss the role of norms or how the formal institutions are embedded in social relations. As has been suggested above, these have the potential to pattern the outcomes of the kinds of informal groups that this study seeks to address in significant ways. Indeed, according to Granovetter, the economy is always embedded in social relations and he seeks to understand how these structure economic actions. For him, "[h]ow behaviour and institutions are affected by social relations is one of the classic questions of social theory" (Granovetter 1992, 53). A rational choice new institutional economist would claim that the influence of social relations is minimal on the choices of individuals, because they are primarily motivated by self-interest. However, Granovetter contends that economic actions cannot be simply derived from the principle of profit maximization. For, social relations also influence economic outcomes and heavily constrain the individual actions (Granovetter 1992). Within this tradition, Pujo (1996), Harriss-White (2005) and Johnson (2003) have tried to identify the key social institutions influencing the way markets operate. The findings indicate that economic institutions are embedded in social institutions like gender, kin, ethnicity, class and age and that these "regulate" the former type of institution (Harriss-White 2005). Through the concept of "social regulation" Harriss-White wants to emphasize how social institutions influence the way the economic institutions are functioning and that the former confer power on some people to be exerted over others (Johnson 2006; Harriss-White 2005). The work of Geertz (1962), Ardener

1995), Bouman (1995) and Hospes (1996) that has already been reviewed in sections 1.3 and 1.4 of this chapter also belong to this tradition and has specifically sought to analyse informal savings and credit groups in terms of how they are embedded in the culture and different social institutions. All of these perspectives on institutions will be expanded upon in the literature that follows in Chapter Two.

However, before bringing together the policy context and this brief theoretical survey to develop the research questions which this study seeks to address, I first want to introduce Ostrom's (1990, 2005) framework for analysing collective action institutions. As indicated in the discussion of institutional change above, this is frequently discussed at a highly abstract level. For the purposes of this study it was necessary to find a means to focus on what rules might be important and how they might be developed. Ostrom's institutional framework derives from her study of collective action institutions involved in common property resource management and since SGs are also a collective action institution her framework offers a basis for analysing rules and design principles for successful collective action institutions. Ostrom classifies the different rules into: position, boundary, choice, aggregation, information and payoff. According to her, all institutions need rules in all these categories. Ostrom (2005) has also identified design principles for robust collective action institutions, which indicate the need for participation, monitoring, sanctions, enforcement and conflict resolution. While her framework operates within a more rational institutionalist approach in which actors seek to optimise their outcomes, and also says little about how change occurs, it does offer a means to more specifically investigate an institutional arena in practice and so has been adopted as a core framework for conducting this study. With this foundation it is then possible to consider Mahoney and Thelen's approach to compliance and Boettke et al's considerations of culture and external intervention in the process of change.

1.4. Research questions

This study considers SG methodologies as an example of interventions that seek to create institutional change at the micro level. Therefore, the aim is to investigate and hence, explain how savings-group approaches are being adopted and used, by employing institutional analysis as a theoretical framework.

The main research question guiding the investigation is:

- To what extent can the adoption and use of savings group rules be explained by theories of institutional change?

Two supplementary questions are:

- What determines the differential success of SG groups in adopting new rules and norms and sustaining their operations in the longer term?
- How do different underlying social institutions and cultural, economic and political contexts affect the ways in which savings-group methodologies are adopted and used?

As indicated above, to date, there are few academically published studies of SG experience. In the practical analysis of SG success, much discussion has centred on what the core SG principles need to be for group operations to be successful. For example, interveners have focussed on the use of the locked box or been concerned with how non-literate people can best record transactions or indeed, whether it is possible for groups to function without a record keeping system at all. Moreover, the quality of training has also been a key focus of discussion (Malkamaki 2011). As Wilson et al note t

“these [externally introduced SG] methods are usually better than those of customary systems. Steel boxes with triple lock, formal procedures, simple recording systems that illiterate people can use, total transparency – all these features save time and help to reduce loss and theft” (Wilson et al. 2010, 54)

However, in addition to the ‘technical’ issues related to the SG model, there are other issues that potentially impact on group dynamics and performance that also need to be understood. Many of the problems that different types of groups face are related to the operation of power and socio-cultural norms within their local environment. In such circumstances, training members on their responsibilities and rights does not necessarily produce the anticipated results. For example, the age of groups, power dynamics within them, socio-economic issues like education levels or wealth of the households, the nature of the local economy or socio-cultural norms within the local environment might all impact on the adaptation of new rules within the SG groups. Alternatively, the differences in the rule adaptation might better be explained by differences in incentives between groups. Also, the existence of indigenous savings and credit groups within the area could result in the new SG rules being adapted so as to be compatible with those already existing.

The novelty of this study is that it goes beyond the relatively short time scales of many of the practical studies, and uses micro-level empirical data to examine the issues raised above. Specifically, the aim is not only to present the rules in operation, but also, to understand their interaction with norms and social relations present in the local context. Lastly, until now much of the work on savings and credit groups within institutionalism has been static; comparing different groups at a certain point of time. To address this, the aim of this study is to examine change in institutions, thus making the study dynamic.

1.5. Outline of the Thesis

The study proceeds as follows. Chapter Two reviews in more depth the literature on New Institutional Economics and rational choice institutionalism that deals with how institutions change and then draws on recent historical institutionalist analysis to examine how to go beyond it in discussing institutional change. Chapter Three explains and justifies the methodology and framework for the study as well as describing how the empirical study was carried out and providing reflections on what happened in practice. Chapter Four provides an overview of financial sector development in Kenya including the informal financial sector and microfinance. It also reviews the social, economic and political structure that forms the context in which SG groups operate.

The following three chapters present and analyse the findings of the empirical field work. Chapter Five presents the socioeconomic characteristics of the sample as well as assessing the extent to which the SG rules were adopted in practice. Then, the performance of the groups is reported. To establish which socio-economic characteristics affect rule adoption and the degree to which the latter affects financial performance, indices of rule following and financial performance are developed and correlations between a range of variables are estimated and statistically tested. Chapter Six then turns to an in depth examination of how the trainers implemented the SG methodology and its rules, with a particular focus on their role in institutionalising rules on loan repayment. It also explores the unexpected role that trainers themselves played in misappropriation and fraud. Chapter Seven investigates how the internal dynamics of groups affected the ways rules were institutionalised, expecting that understanding these dynamics could offer insight into the process. Regarding the rules of interest, in this chapter the focus is again on loan repayment as well as default and misappropriation cases for

which group leaders were also found to be responsible. Chapter Eight presents a synthesis of the findings from the three previous chapters drawing on the literature presented throughout the thesis in order to address the main research question and the two supplementary ones. Namely, to what extent and how the adoptions and use of SG methodologies can be explained in terms of theories of institutional change. Chapter Nine concludes by examining the implications of the findings for the analysis of institutional change.

CHAPTER 2. THEORIES OF INSTITUTIONAL CHANGE

2.1. Introduction

Evans (2007) suggests that there has been an "institutional turn" in development economics. Hoff and Stiglitz (2001) summarize this turn by stating that "Development is no longer seen primarily as a process of capital accumulation, but rather as a process of organisational change" (Hoff and Stiglitz 2001, 389). Acemoglu et al. (2004) claim that "differences in economic institutions are the fundamental cause of differences in economic development". Similarly, after comparing the level of impact of institutions with geography and trade, Rodrik, Subramanian and Trebbi conclude that "the quality of institutions 'trumps' everything else" (Acemoglu et al. 2004; Rodrik et al. 2004; here Evans 2007, 35). Hall and Taylor (1996) identify three main schools within institutional theory, historical institutionalism, sociological institutionalism and rational choice institutionalism. Within this categorization new institutional economics (NIE) is part of rational choice institutionalism.

This chapter reviews the literature on new institutional economics (NIE) as it has been applied and then draws on historical institutionalism and on theories of embeddedness to examine how to go beyond it when discussing institutional change. New institutional economic analysis has been a primary analytical lens for examining the success of microfinance groups and to an extent, informal financial arrangements, such as ROSCAs and ASCAs. Since the analytical concepts of this approach, moral hazard, adverse selection and transaction costs analysis were briefly discussed in the first chapter, I will not discuss them again here. Further, this involves static analysis at the micro level and does not demonstrate how change takes place. Consequently, the wider NIE analysis of change and development which has instead been more focused at the macro level is discussed. The work of North (1990) and Grief (2006) is presented and then critiqued for its narrow view on institutional change that does not consider politics, power or social relations.

Next, I introduce Ostrom's (1990, 2005) framework for analysing collective action situations. Like North and Grief, her work can also be seen to be located within rational choice institutionalism. However, the analysis of rules that she has developed in her work on collective

action institutions for managing natural resources offers a more focussed approach to such analysis than these authors.

More recently, the work of Mahoney and Thelen has endeavoured to incorporate part of this critique - explaining change by viewing institutions as distributional instruments and recognising the importance of compliance, thereby bringing in the dynamics of power and politics. This and their characterisation of modes of change is useful since it offers a more specific focus for analysing how institutions might change through "displacement", "layering", "drift" or "conversion". However, this approach neglects informal norms and the way formal rules are embedded in social institutions. To address this, the theorem of Boettke et al. is presented, who emphasize that new institutions need to have a link with local culture and norms. Then, the concept and discussions around embeddedness within economic sociology are reviewed. The central contribution of economic sociology and anthropology is the realisation that economic institutions are always embedded in social and cultural institutions. Unlike NIE which only deals with the functions of institutions by trying to make them more effective through lowering transactions costs, the embeddedness approach allows for the institutions themselves to be analysed. Further, within this tradition Harriss-White's (2005) claim that social institutions "regulate" economic institutions and economic development emphasises the power dimensions of the social and cultural institutions. Since Ostrom does not deal explicitly with how change occurs, it is necessary to include Mahoney and Thelen's concept of compliance and power relations as well as Boettke et al.'s theorem, which incorporates external intervention and lastly, the dimension of embeddedness of norms and social relations needs to be taken into account.

2.2. Rational choice institutionalism

2.2.1 New institutional economics and institutional change

Within new institutional economics, North (1990) has developed a dynamic analysis of institutional change, for according to him, neo-classical economic theory cannot explain the dynamic of change. Nevertheless, neo-classical economics still provides the central building blocks for the author. This is because institutional economics, like the neo-classical approach "begins with the scarcity hence competition postulate; it views economics as a theory of choice subject to constraints; it employs price theory as an essential part of the analysis of institutions;

and it sees changes in relative prices as a major force inducing change in institutions” (North 1995). However, in order to explain change North (1991) adds institutions as a critical element to the theory, defining them as follows:

“Institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct) and formal rules (constitutions, laws, property rights.) Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. Together with the standard constraints of economics they define the choice set and therefore determine transaction and production costs and hence the profitability and feasibility of engaging in economic activity. They evolve incrementally, connecting the past with the present and the future... Institutions provide the incentive structure of an economy; as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline” (North 1991, 97).

North (1990) also describes institutions as “rules of the game”, such that whenever humans do something together, there is always a structure, i.e. “rules of the game”, that guides them. This structure, according to North (2005) consists of institutions – formal rules, informal norms and mechanisms that enforce these rules and norms.

However, North (1990) also draws attention to the need to differentiate institutions from organizations. Institutions are the rules of the game and organizations are the team of players that play the game according to these rules. Rules have been created so that the players would know how to play the game, with aim being to win the game. Developing strategies on how to improve the chances of a team winning the game within the commonly agreed rules (organization) and developing ideas how to change as well as further modify the rules of the game (institution) are two separate processes. Organizations are dependent on institutions in the sense that they come into existence because of inbuilt incentives in the former. Organizations will reflect the opportunities provided by the institutions and the way they evolve is dependent on the latter. Organizations such as firms, government and NGOs operate to reproduce institutions that favour their survival. This is done within organizations by creating knowledge and innovations that strengthen the organizations and institutions (North 1990).

One central concept also for North in the theory of institutions is that of transaction costs.

“The incomplete information and limited mental capacity by which to process information determines the costs of transacting which underlies the formation of institutions... The costs of transacting arise because information is costly and asymmetrically held by the parties of exchange...and when it is costly to transact, institutions matter” (North 1995, 18).

“NIE modifies the ‘rationality postulate’ of neo-classical economics which maintains that values are given and constant and that individual economic agents select the most efficient means of maximising rationally chosen ends” (Harriss et al. 1995, 3). North claims that individuals choose between different alternatives based on mental models. These are

“mental constructs individuals form to explain and interpret the world around them and are partly a result of their cultural heritage, partly a result of the ‘local’ everyday problems they confront and must solve, and partly a result of non-local learning” (North 2005, 61).

The concept of mental models is potentially important partly because it assists in explaining why rational individuals make irrational decisions. It also sheds light on why individuals within the same context make different choices and why nations move in different directions.

Whereas North (2005) discusses institutions mostly at the macro level, Greif (2006) is trying to establish micro-foundations for the study of institutions. The framework that he develops “studies institutions on the level of the interacting individuals” (Grief 2006, 13). Further, his analysis is trying to combine old and new institutionalism, economic sociology and evolutionary institutionalism. Instead, of abstract econometric analyses he advocates context specific studies. For him, “an institution is a system of social factors (rules, beliefs, norms, and organizations) that together generate a regularity of (social) behaviour” (Grief 2006, 30). By regularity of behaviour, Grief refers to the reality that (most) individuals that have a “social position” in a social situation are anticipated to behave in a certain way (Grief 2006, 32). The perspective of social position emphasises the social role in a particular situation rather than the individual’s personal characteristics and can be, e.g. a buyer, seller, lender, borrower, man/woman etc. Rules, norms, beliefs and organisations are all social, thus implying that all these institutions have been created by humans. Despite institutions being made by humans, at the same time they are exogenous to the individual. They have to be exogenous, because of their role to “enable, guide and motivate behaviour” and can only perform this function when an individual’s relative influence is low (Grief 2006, 34). However, this does not mean that no one can change institutions. For a dictator, laws are not exogenous, since he can decide

whether to obey them or not as he has all the power. By contrast, a prime minister is in strong position to change formal rules, laws, but after these have been approved they are exogenous and he has to obey them. In these examples, the formal rules and laws are not institutions for the dictator or for the prime minister since they can "initiate" change. However, even a dictator cannot change the beliefs or norms. When discussing how to ensure that rules are followed, instead of talking of enforcement, Grief (2006) uses the term motivation, which is because individuals can follow rules either because there is a threat of punishment or there is an incentive or reward. And motivation covers both alternatives.

Many institutional economists, including North (2005), have focused enforcement because they usually assume there is an external force, a third-party enforcer that ensures that rules are followed. However, there are many situations where the third-party enforcer is weak (e.g. weak states) or does not exist at all. Even in these situations rules are often enforced. In order to understand how these self-enforcing or self-motivating institutions function, the motivation as well as the beliefs and norms behind it have to be better understood.¹¹ According to Grief (2006), a major methodological division within the students of institutions is between the agency and structuralist perspectives. The majority of economists use the former, which assumes that individuals are the agents of their lives, whereas many sociologists employ the latter, which emphasises the structures and institutions that constrain the choices that individuals have. Grief's (2006) view is close to Giddens' (1984) "structuration" approach, which takes the view that there is dynamic interplay between structure and agency, thus claiming that both perspectives are needed. He is trying to bridge this divide with his definition, whereby institutions are considered as being made by humans (agency perspective,) but institutions are exogenous to individuals (structural perspective).

How institutions change: path dependence and mental models

Even though different authors have defined institutions in a slightly different ways, almost all the definitions emphasise their permanence and thus, before analysing how institutions change, it is useful to understand why they often are persistent. When explaining the rise of different types of institutions, North (2005) uses the term path dependency, referring to the situation that if one alternative has been chosen in the past, the likelihood that the same alternative will

¹¹ In the case of most of the user owned savings and credit groups the third-party enforcement is at best weak or does not exist. Thus, studying motivation, beliefs and norms makes sense.

be chosen again is greater than a change being made.¹² According to this author, one of the key reasons why inefficient institutions or those that do not enhance the welfare of the society continue to exist is path dependency. The origins of path dependency date back to the actor's different decisions and actions in different geographical areas. These early choices have led different societies to different paths. However, if the actors want to maximize their welfare, why do inefficient institutions exist? According to North (1990), this is because markets are imperfect and information feedback not satisfactory. This leads to mental models with imperfect information and ideologies that support the existing institutions instead of what could be more efficient ones (North 1990).

Path dependency is strengthened further because organisations are formed to defend existing institutions and hence, are pro the existing development path. These organisations and their leaders often have a vested interest that certain institutions are not changed. A further reason why change of institutions is difficult is that the informal norms cannot be consciously changed. Moreover, institutions are dependent on each other meaning change in one does not take place, if others do not change. Lastly, formal rules can sometimes be changed relatively quickly, but norms have to catch up with rule changes (North 2005). Path dependency also means that change of institutions is usually incremental, because many existing organisations will oppose radical change that goes against the interests of the organisations and the institutions that they are reproducing.

For North (1990, 2005), the most important reasons for institutional change are changes in relative prices, which highlights the fact that he is trying to build NIE within the neoclassical framework. Relative prices are important because they change the incentives of individuals. By changes in relative prices, North (1990, 2005) is referring to, e.g. changes in the ratio of land to labour, in the cost of information or changes in technology. For him, it is maximizing entrepreneurs (in the field of economy or politics), who make innovations that change relative prices (North 1990 and 2005).

How then have societies arrived at different types of formal and informal rules that guide their operations and enforce these rules? According to North (2005), rules and norms are being created on the basis of the beliefs that humans have. Where do people then get their beliefs? They are created through learning. In his latest book, North (2005) discusses in detail the different theories of learning and concludes that humans learn through pattern recognition.

¹² For a famous example see Paul David's article "Clio and the Economics of QWERTY". 1985 American Economic Review, 75:332-37.

What this means in practice is that humans will find it easier to adopt new rules or norms, if the new ones are fairly similar to the existing ones. This explains, at least partly, why norms change very slowly. If mental models of actors are better understood, it is easier to understand how actors choose between different actions and what types of institutional choices are made (Schlueter 2009).

2.2.2. Challenges in using NIE for analysing change

The role of NIE is to understand the evolution of institutions as these “are the source of political and economic change and since formal institutions are the only instrument we possess to alter the way in which economies perform” (North 2001, 491).¹³ However, according to North, a theory of polity needs to be integrated into the theory of change, because it is through political processes that rules are made and enforced. Further, the study of norms has to be integrated into the theory of change. Hence, knowledge from sociology and anthropology should to be integrated with NIE (North 2001). According to Williamson, very few economists have so far dealt with the social embeddedness level even though North (2005) and Grief (2006) claim that it is important for understanding institutions. Williamson (2000) divides the institutional analysis into four levels. Level 1 deals with informal norms and beliefs, which he calls “embeddedness”. Level 2 is about formal rules and laws, whilst level 3 covers contracts and transactions costs and level 4 includes prices and incentives alignments. His categorisation of institutions is important, because it highlights the levels of institutional analysis where less work has been done and is in line with North’s (2005) view that political science, sociology and anthropology needs to be integrated into NIE.

In his earlier writings, North states that NIE “builds on, modifies and extends neo-classical theory” (North 1992, 3). However, Harriss claims that NIE is not in a position to explain big historical changes. He uses as an example the agrarian change in India, showing that institutional analysis can explain how inefficient agrarian institutions contributed for decades to low productivity. However, institutional analysis cannot explain why this productivity increased suddenly in the early 1990s. Harriss claims that in order to understand relations between social classes and the relative power structure between them, they need to be understood historically (Harriss 2008, 312-3). Similarly, Bardhan (2001) claims that the evolution of institutions and the way property rights are organised reveal the relative strength of different social groups. Further,

¹³ With this North implies that norms cannot be created.

even though North states that "a dynamic model of economic change entails as an integral part of that model analysis of the polity" (North 1995, 22), Harriss suggests that the analysis of politics is not part of NIE. He notes that it does not provide an explanation why the same institutions in different locations produce different outcomes. He refers to Bates' (1995) study on coffee marketing boards in Kenya and Tanzania, where identical institutions produced very different outcomes. Bates (1995) concludes that in order to explain the different outcomes there is "the necessity of embedding the new institutionalism within the study of politics" (Bates 1995, 42; here Harriss 2008). Another reason why Harriss (2008) thinks that it is difficult to integrate politics into NIE is the key assumptions involved, namely, scarcity and the utility maximization of the individual, which are the same as in neo-classical theory: all agents are assumed to be equal. Regarding North's intention to integrate norms (culture and beliefs) into NIE, Harriss again claims that this could be problematic because a basic assumption underlying NIE is that economic models are universal (Harriss 2008, 316).

However, in his later works North (2001, 2005) seems to at least partly agree with his critics when he concludes that neo-classical theory was never developed to theorise about economic change, stating that "neo-classical economic theory provides an understanding of the operation of markets in developed economies but was never intended to explain how markets and overall economies evolved" (North 2005, 65). According to him, the key weaknesses of neo-classical theory are that it assumes frictionless functioning of the economy, it is static, and does not incorporate the human intentionality. To understand intentionality comprehension of how people make choices is needed. However, the mental models on which people make choices and act are exogenous for neo-classical theory (North 2005, 65). Hence, he concludes that in order to develop a theory of change, "we have to evolve a new body of theory or at least to modify existing theory to integrate it with those parts of neoclassical theory that are of value (North 2001, 491).

When evaluating the significance of NIE, Toye (1995) acknowledges that it has brought institutions into economics in a way that enables economists to start discussing them. However, he claims that as a macro-level theory that is trying to explain the development process, it has not brought anything new that other disciplines have not been able to explain. It does not offer at the macro-level any hypotheses to be tested, or any clear policy guidelines. Similarly, Harriss concludes that NIE at its core does not have a theory of historical change and agrees with Toye who claims that "the main weakness of NIE as a grand theory of socio-economic development is that it is empty" (Toye 1995, 64; here Harriss 2008). This author criticises what he calls the "functionalist" view of the institutions, whereby their role is to solve

specific problems (Toye 1995). Specifically, according to the functionalist view, institutions are there to solve economic problems and reduce transactions costs. However, this perspective does not take into account the norms that are also part of institutions and these cannot be changed consciously. The view that Mahoney and Thelen (2010) among others present is that institutions can also be distributional instruments, thus implying that power can be used and conflicts may arise in the process of distributing resources and hence, provides an alternative hypothesis to that of the NIE.

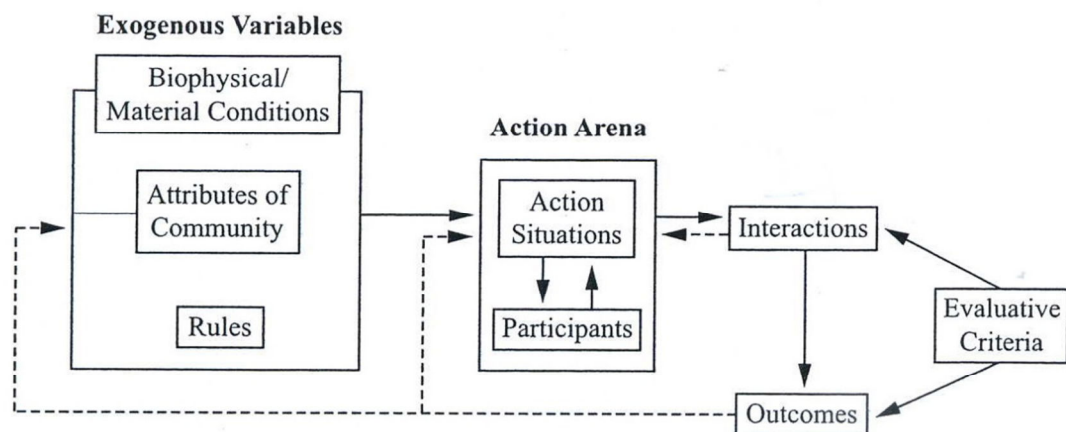
Further, Harriss, Toye and Bates conclude that since the study of politics, history, sociology and anthropology have not been successfully integrated into NIE and because of methodological challenges it is probably not possible to do so (Toye 1995, Bates 1995, Harriss 2008). However, before turning to historical institutionalist theories of institutional change that more systematically seek to incorporate these dynamics, I first introduce Ostrom's (1990, 2005) framework for analysis of collective action institutions. This is because, first, her work operates within a rational choice institutionalist framework, rather than an historical institutionalist one and, second because - as implied by the criticisms above - North's (1990, 2005) approach operates at a high level of abstraction, while Ostrom's offers a more detailed approach to analysing the rules operating in specific action arenas, which is necessary for undertaking an analysis of savings groups.

2.2.3. Ostrom's framework for analysing collective action situations

Ostrom provides a framework through which to investigate specific collective action institutions. Her major contribution has been on studying collective institutions that work around for natural resource management, especially regarding how local communities in different parts of the world have managed common poor resources. Since savings groups are also collective action institutions, I examine this framework as it has the potential to offer a much more specific focus to the analysis of these groups. According to Ostrom (2005), the researcher has first to choose the action arena that is relevant for the analysis. In figure 2.1, the action arena consists of the actors (participants) and action situation, with exogenous variables also affecting this situation. Ostrom contends that the key exogenous variables are biophysical and material conditions as well as the attributes of culture and rules. The two foremost are important for Ostrom because, as explained, she deals mostly with common property resources like land and water. Evaluative criteria are being used to assess the performance of the system by examining interactions and outcomes. There is a feed-back loop from outcomes to

participants and action situations such that the outcomes over time can change both of these factors. Further, the outcomes can also change the exogenous variables. Nevertheless, when action situations are analysed, the framework treats exogenous variables as fixed. Ostrom claims that if the actors perceive that the outcomes arising from interactions are positive, they are more committed to sustain the structure of the action arena. Whilst if they are not content with the outcomes, they might want to change the structure of the situation or to leave the action arena.

Figure 2.1. A framework for institutional analysis



Source: Ostrom 2005, 15.

In order to better understand the action arena, an institutional analyst needs also to the exogenous variables. Ostrom (2005) claims that the key issues influencing the action arena are (1) “the rules that are used by the participants to order their relationships, (2) the biophysical/material conditions that the action arenas deal with and (3) the structure of the more general community within which any particular arena is placed” (Ostrom 2005, 15).

Rules: These and institutions are in Ostrom’s terminology very close to each other, regarding which she states that

“Institutions can be defined as the sets of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided and what payoffs will be assigned to individuals dependent on their actions... All rules contain prescriptions that forbid, permit or require some action or outcome.

Working rules are those actually used, monitored and enforced when individual make choices about the actions they will take" (Ostrom 1990, 51).

She proposes that (working) rules are known to everybody in the groups or at least the majority and that they are, at least to some extent, monitored and enforced. If only a minority of group members is aware of a "rule", or certain "rules" are not monitored or enforced, according to her definition then it is not a rule. She also emphasises the fact that rules do not have to be written or come from formal legal procedures. In reality, institutional rules are often created by individuals who want to get improved outcomes from the action situations that they are in, i.e. people who are trying to solve their problems and to achieve this create rules (Ostrom 2005).

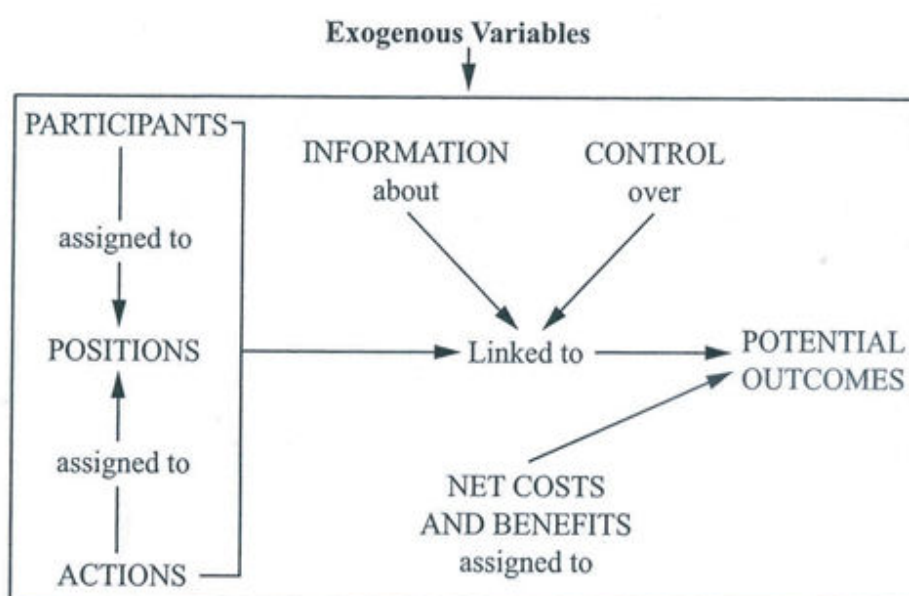
Norms are not mentioned in Ostrom's (2005) framework, which might be because she usually tries to formalise the collective action situations and this is difficult to do with norms. Elsewhere, Ostrom (2007) has defined the norms and rules in the following way: "Norms represent preferences related to prescriptions about actions or outcomes that are not focused primarily on short term materials payoff to self." Rules are fairly close to norms, but "carry an additional assigned sanction if forbidden actions are taken and observed by a monitor. For rules to exist, a particular situation must be linked to a rule-making situation and some kind of monitoring and sanctioning must exist" (Ostrom 2007, 12-13). Probably, social norms fit better under the values of the community in Ostrom's framework.

Values of community: Key attributes of the community that affect in important ways the action arena are the generally accepted values of the community, its equality or inequality and its size. According to Ostrom, the term *culture* is often used to describe the values of a community and cultures in turn have an impact on the mental models of the participants. Ostrom claims that if all participants in a common pool-resource situation come from the same community, sharing some key values and following them, it is much easier for them to agree on certain key rules. However, if they come from different communities, speak different languages and do not share all the key values, agreeing on key rules for using common-pool resources is much more challenging (Ostrom 2005). Despite Ostrom (2005) stating that in some action situations participants may start from highly unequal positions and the more powerful might receive additional net benefits through their position, social institutions (e.g. class, gender) are not explicit in her framework nor does she discuss the power dimensions of social institutions.

Biophysical and material conditions: This is the third external element that according to Ostrom substantially affects the action situation, which is understandable since, as aforementioned, she deals mostly with common property resources. The relevance of material conditions is in some

action situations more important than in others. For example, in a chess game the rules define almost every aspect of the game and the material attributes of the game are fairly insignificant (Ostrom 2005). Ostrom (2005) claims that the structure of most of action situations can be explained and explored by using the variables presented in figure 2.2: (1) participants filling (2) positions, (e.g. chairperson of a group, secretary, member of the group etc.) (3) actions that participants in positions can take, (4) potential outcomes, (5) information that is available to the participants about the actions and outcomes, (6) the control that participants have over the actions and outcomes and (7) costs and benefits – incentives and sanctions that are assigned to the actions and outcomes (Ostrom 2005).

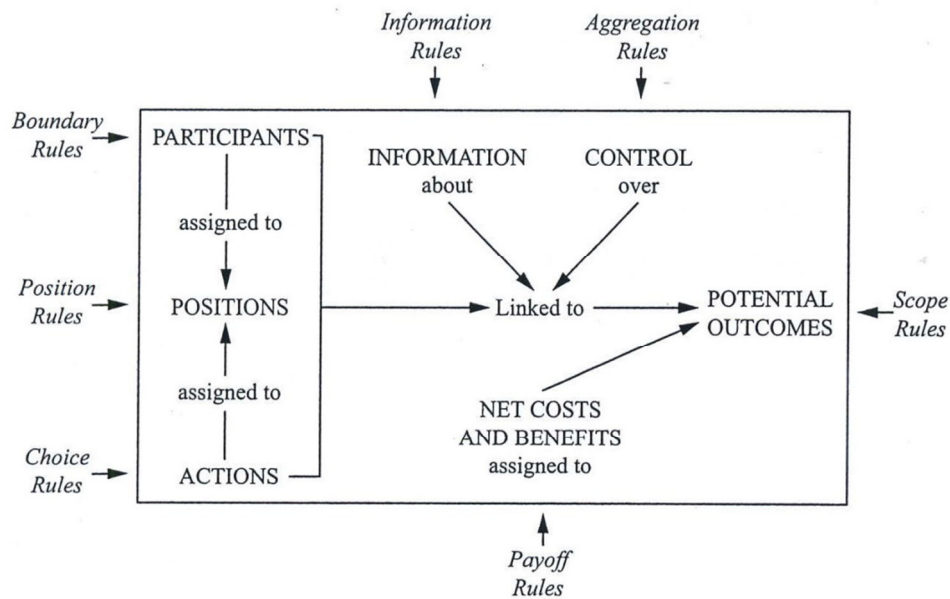
Figure 2.2. The internal structure of an action situation



Source: Ostrom 2005, 33.

Ostrom claims that if we need to compare different action situations and possibly improve the outcome of them, a coherent framework is required so as to be able to begin to think about the different types of rules in terms of whether and how they impact on or change the action situation. In figure 2.3, the different types of rules that affect the action situation in groups are presented.

Figure 2.3. Different rules affecting the elements of an action situation (Ostrom 2005)



Source: Ostrom 2005, 189.

- Position rules define what positions groups have (e.g. chair, secretary, treasurer, members)
- Boundary rules or exit and entry rules define who is eligible to enter a position, through what process potential participants enter and how an individual may leave a position
- Choice rules specify what a group member in a particular position must, must not or may do.
- Aggregation rules determine whether single participants can make the decision or whether several or all are needed to support the decision.
- Information rules determine how information should flow between participants, what information should be communicated to members and what should not be shared with non-members as well as in what form the information should be communicated
- Payoff rules determine the rewards (incentives) and sanctions to specific actions that have happened.
- Scope rules are outcome targets that regulators set for the collective action situation

Even though Ostrom considers the classification of rules important, she points out that it is not only the rules that impact on the different components of the action situation, but also the

attributes of the community. Ostrom (1990) also defines three different categories of rules: operational, collective-choice and constitutional rules. Operational rules are nested in collective choice rules which are in turn nested in constitutional rules.

1. Operational rules deal with day-to-day operations of the groups, e.g. who gets resources (in savings groups e.g. who gets loans), who monitors others, what information should be shared with other group members and what are sanctions if someone does not follow the rules.
2. Constitutional-choice rules determine who is allowed to participate in the group and how operational rules are changed.
3. Constitutional-level rules determine how the lower level rules can be change. For example the rules that determine how the group's constitution can be changed are rules at the constitutional level.

This categorisation has a lot of similarities to Williamson's analysis of levels of rules, but lacks his embeddedness level. This demonstrates the observation made earlier that Ostrom's framework does not deal with social institutions and norms.

Ostrom (2005) has also sought to identify design principles for robust collective action institutions. She suggests that the common features of successful group- based institutional arrangements required are:

1. Clearly defined boundaries. The boundaries of the resource systems as well as the individuals or households that are allowed to use the resource
2. Proportional equivalence between benefits and cost. The benefits for each resources users need to be in relation to the costs for resource users.
3. Collective choice arrangements which allow those affected by operational rules to participate in crafting and modifying them. " These rules take time and effort to develop, try out, modify and then experiment again. Users who have been engaged in this process for some time understand the rules that they have crafted, agree why they are using one rather than another and tend to follow their own rules to a greater extent than those that are imposed on them " (Ostrom 2005, 263-264).

4. Monitoring arrangements: Who is monitoring that the group rules are followed and do they face appropriate incentives given the challenge of monitoring?
5. Sanctions and enforcement: What are the sanctions that the group is authorizing and can they be adjusted so that someone who makes an error that is a small rule infraction is sufficiently warned so as to ensure longer-term compliance without trying to impose unrealistic sanctions? Moreover, are sanctions graduated in the sense that the more serious the offence against the group, the more serious the sanction? In groups that apply graduated sanctions enforced by local monitors, the first sanction is not significant, since the main purpose is to notify both the rule breaker as well as all the other members that rules matter and that the leaders are aware that some members are not following them.
6. Conflict resolution: What local mechanisms exist to resolve conflicts arising over the use of this resource?
7. Minimal recognition of rights to organize. The rule-making rights of community members should be respected by outside authorities.

In the case where resources are part of a larger system a design principle of nested enterprises is needed

8. Nested enterprises: "Appropriation, provision, monitoring, enforcement, conflict resolution and governance activities are organised in multiple layers of nested enterprises" (Ostrom 1990, 90).

Initially Ostrom (1990) developed these design principles for common property natural resource institutions. However, later Ostrom (2005) broadened the institutional analysis to include all kinds of institutions including private associations.

These design principles suggest how better outcomes in terms of robust collective action institutions can be achieved. Hence, while Ostrom does not propose how processes of long term institutional change do in fact take place, she does suggest under what conditions they might be effective.

Ostrom (2000) claims that rules developed within the group can operate as well as those externally provided on the condition that the above eight features are taken into account. She further claims that if external rules are imposed on the group, it does not develop internal rules and is not willing to enforce those from the outside. This might be one of the reasons why joint liability does not operate as well as has been suggested by some of the theoretical models. However, Ostrom does contend that if external rules are not imposed on the group, they are able to develop their own that they themselves will be willing to enforce (Ostrom 2000).

To conclude on Ostrom, the fact that in her framework for institutional analysis (figure 2.1) there is a feedback loop from outcomes to action situation and to exogenous variables implies that it is dynamic and can be used for analysing change within institutions, although this does not operate for the rather longer term timescales of North's approach. Further, the internal structure of an action situation (figure 2.2) and the different rules affecting it (figure 2.3) enable institutions (rules) to be analysed as distributional instruments in relation to power in action situations. However, because Ostrom does not deal with how change occurs, nor concentrate on politics and power or compliance, it is necessary to incorporate Mahoney and Thelen's concepts into the analysis. The next section begins to address this by drawing on the work of Mahoney and Thelen.

2.3. Historical institutionalism: Mahoney and Thelen's gradual evolution

Mahoney and Thelen (2010), coming from the historical-institutionalist school, claim that NIE does not have a comprehensive theory of how institutions change and that it does not focus appropriately on issues related to the power of different actors.¹⁴ According to these authors, the reason for change within NIE is almost always an exogenous shock or sudden happening that forces the institution to change. Consequently, Mahoney and Thelen (2010) have attempted to develop a more comprehensive theory of institutional change that considers not only exogenous shocks, but also the endogenous gradual evolution of institutions, through viewing institutions as distributional instruments and recognizing that the compliance with rules is not necessarily complete. They argue that in order to develop a broader theory of change

¹⁴ Mahoney and Thelen also claim that the two other institutionalisms namely Historical institutionalism and Sociological institutionalism don't have a convincing theory of change of institutions, but since this piece of research mostly deals with NIE, I will not discuss the critique of Historical and Sociological institutionalisms here.

some elements within institutions need to be dynamic so that this can also happen from within, i.e. endogenously. Mahoney and Thelen do this by defining institutions as "distributional instruments laden with power implications" (Mahoney and Thelen 2010, 8). According to them, the purpose of formal institutions is to distribute resources, more for some, less for others and if an individual or a group has a lot of power, it can largely define the key rules of the institutions. However, much more commonly the institutions reflect the compromises of different, often conflicting, interests. When institutions are defined as compromises between different groups, it is understandable that endogenous change within them is possible. This view can explain both the stability and change within institutions. Specifically, the individuals or groups who benefit from the existing institutional set-up will try to support stability and gather political resources to defend it, whereas those who benefit less are interested in changing the institution. If the subordinate individuals or groups succeed in changing the institutions, it can be interpreted that the balance of power has shifted (Mahoney and Thelen 2010). It is important to note that when discussing institutions, Mahoney and Thelen seem to be talking about formal ones. However, gender norms, for example, are informal institutions but are also distributional instruments.

This definition of institutions as distributional instruments is common among historical-institutionalists. Moreover, Mahoney and Thelen acknowledge that some authors with an NIE perspective, for example, Acemoglu, Johnson and Robinson (2004) and North (2005) in his more recent work, also see institutions as distributional instruments (Mahoney and Thelen 2010). Also, within the NIE framework anthropologists Ensminger and Knight (1997) tested the bargaining approach, subsequently presenting three different theories on how norms change: co-ordination of focal points, competitive selection among contracts and bargaining. They tested the theories with empirical material gathered from the Orma community in Kenya covering the following issues: common property rights (land), bridge wealth and clan exogamy, concluding that a bargaining approach has the best explanatory power on how new norms are generated, especially in situations where their benefits can be distributed unevenly among the actors.

In addition to the balance-of-power approach, Mahoney and Thelen (2010) introduce another concept they call compliance. While New Institutional Economics discusses this phenomenon in the sense that the purpose of monitoring and enforcement is to reduce free riding, they claim that compliance is usually part of the definition of an institution. Regarding which, they refer to North (1990; 1993) who defines institutions as self-reinforcing, whereby

“What institutions do is stabilize expectations (among other ways, by providing information about the probable behaviour of others) and thus enforcement is endogenous in the sense that the expected costs and extent of noncompliance are factored into the strategic behaviour of the actors in a particular institutional equilibrium” (Mahoney and Thelen 2010, 10).

However, they argue that, if institutions are not assumed to be self-reinforcing and that distributional issues are indeed central, then compliance is not automatic and becomes a variable that has an impact on whether institutions remain stable or whether they change (Mahoney and Thelen 2010, 10).

Mahoney and Thelen indicate that the following are the consequences if compliance is a variable:

1. There will be struggles over the “meaning, application and enforcement” relating to resource allocation (Mahoney Thelen 2010, 11).
2. Referring to Durkheim’s notion of the “non-contractual basis of contracts” Mahoney and Thelen claim that “institutions are always embedded in assumptions that are often implicit” (Mahoney and Thelen 2010, 13). Shared understanding may exist in a certain group or in particular locations but not in other groups or other locations.
3. It is not enough to design rules, for they also need to be implemented, monitored and enforced. If the rules have been designed by someone who is not in charge of implementation, monitoring or enforcement, some of them might not be implemented or enforced (Mahoney and Thelen 2010).

Through suggesting that institutions should be viewed as distributional instruments and that compliance should not be assumed but rather, analysed as a variable, Mahoney and Thelen have created a framework for analysing institutions as a dynamic concept and in doing this have focused on the role of power and the politics involved. This is because institutional change is seen as an outcome of how power dynamics affect how compliance takes place.

Taking this further, they offer a characterisation of modes of institutional change that arises as a result of these dynamics, by addressing two questions:

1. “Does the political context afford defenders of the status quo strong or weak veto possibilities?

2. Does the targeted institution afford actors opportunities for exercising discretion in interpretation or enforcement?" (Mahoney and Thelen 2010, 18).

Table 2.1. Mahoney and Thelen's typology of institutional change

		Characteristics of the Targeted Institution	
		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	Strong veto possibilities	Introduction of new rules on the top of old ones Layering	Neglect of existing/old rules Drift
	Weak veto possibilities	Removal of old rules and introduction of new ones Displacement	Active change in functions of existing rules Conversion

Source: Mahoney and Thelen 2010 p.19

The first question concerns the veto characteristics. There are strong veto possibilities in situations where there are actors that are able to ensure that institutional change does not take place. These actors might have veto powers on whether rules are changed or how they are interpreted in practice. When change agents want to introduce new rules and face strong veto agents, displacement, i.e. replacing old rules with new ones, is not likely to happen nor is conversion probable, since these people can also influence how rules are implemented in practice. Mahoney and Thelen suggest that layering and drift are the most common strategies when introducing institutional change in situations where there are strong actors with veto powers to oppose it. Under these circumstances, no rules of the old institution are changed or they are neglected (Mahoney and Thelen 2010, 19-20). The second question relates to the extent to which "institutions are open to contending interpretations and variations in their enforcement" (Mahoney and Thelen 2010, 20). The degree of variation in rule enforcement can at least partly explain how institutional change takes place. If change agents confront an institution where there is not much space for discretion in enforcement, then conversion and drift as change strategies are less probable. "Conversion normally occurs when rules are ambiguous enough to permit different (often starkly contrasting) interpretations... Drift can occur when a gap opens up between rules and enforcement (in this case, often a gap due to neglect)" (Mahoney and Thelen 2010, 21).

As a result of recognising these dimensions of how the rules may change, Mahoney and Thelen (2010) also offer a characterisation of how the modes of institutional change take place:

1. Displacement is where the old rules are replaced with new and different ones;
2. Layering is where new rules are established next to the existing ones. Layering does not replace the existing rules, but rather, adds new rules to them, which leads to their reinterpretation;
3. Drift takes place when the rules remain formally the same, but are increasingly neglected;
4. Conversion is when the rules are not formally changed but they are interpreted differently. This can be because actors make use of the vagueness of some rules or the gaps between them and enactment by trying to change the interpretation of the existing rules.

According to these authors, incremental change is more likely to happen in the "gaps" or "soft-spots" where there are differences regarding how institutions are interpreted or where there are differences between the institutions and enforcement of that institution (Mahoney and Thelen 2010, 14).

Mahoney and Thelen (2010) also discuss the agents behind the institutional change by classifying them as either attempting to preserve the pre-existing institution or not and whether the actor attempts to follow the existing rules or not, identifying four types of change agents: insurrectionaries, symbionts, subversives and opportunists. Insurrectionaries actively attempt to displace the existing institution and might be able to introduce new rules and institutions quickly. Mahoney and Thelen link "insurrectionary innovators" with displacement, because low discretion matches well with the aim of replacing an existing institution and a weak veto indicates that there is not a strong opposition to the changes (Mahoney and Thelen 2010, 24). Parasitic symbionts are actors that use the institution to benefit privately, but like all parasites they need the institution to be in existence in order to be able to benefit from it. They are linked with drift, because they need a high discretion environment to change the meaning of rules when they feel that it is necessary, for which they have a strong veto power. The aim of the subversives is to displace the institution but using their veto covertly so that others do not understand their true aim and they are associated with layering. Lastly, opportunists do not actively try to displace or preserve the existing institution, but rather, use the opportunities that come up to benefit themselves.

Table 2.2. Contextual and institutional sources of change agents

		Characteristics of the Targeted Institution	
		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	Strong veto possibilities	Subversives Layering	Parasitic Symbionts Drift
	Weak Veto possibilities	Insurrectionaries Displacement	Opportunists Conversion

Adapted from Mahoney and Thelen 2010, 28

The characterisation of modes of change is useful since it offers a more specific focus for analysing how institutions can change through rules being modified, displaced, layered or converted. However, Mahoney and Thelen's analysis covers mostly formal rules and does not focus on the embeddedness, a level that Williamson (2000) introduced above. I therefore next turn to Boettke, Coyne and Leeson (2008) who introduce culture into institutional theories and also external intervention.

2.4. Culture and external agents: Boettke et al.'s theorem

Boettke et al. divide institutions into foreign or indigenously introduced and further into endogenous and exogenous. For them, foreign introduced means that these institutions are brought in by "outsiders", whereas indigenously introduced are introduced by "insiders" (Boettke et al. 2008, 335). Exogenous institutions are "constructed and imposed from above" (Boettke 2008, 335), and are created by national government or by "foreign" entities, whilst endogenous ones are not constructed by any outside formal entity, such as the government, but rather, "have their roots in the behaviour of individual agents pursuing their own ends" (Boettke et al. 2008, 337). Further, endogenous institutions are "firmly grounded in the practices, customs and values and beliefs of indigenous people" (Boettke et al. 2008, 338). They acknowledge that these types of definitions simplify reality as in all endogenous institutions there can be exogenous elements and vice versa. Based on these definitions Boettke et al. conclude that institutions belong to one of the following three categories:

1. indigenously introduced endogenous (IEN) institutions;
2. foreign-introduced exogenous (FEX) institutions;

3. indigenously introduced exogenous (IEX) institutions.

1. Indigenously introduced endogenous (IEN) institutions

Endogenous institutions are by their nature indigenously introduced. IEN institutions are closest to metis i.e. culture or local norms, since they “evolve informally over time in specific places” (Boettke et al. 2008, 335) and “emerge entirely spontaneously” (Boettke et al. 2008, 333). Hence institutions that belong to this category are most likely to stick (Boettke et al. 2008).

2. Foreign-introduced exogenous (FEX) institutions

If an institution is exogenous and foreign introduced, for Boettke et al., this implies that it was constructed (mostly) by outsiders and imposed from above. Hence, such institutions are far away from metis, being not likely to “stick” in the new context. An example of FEX institution is a development community programme that introduces law reform in a particular country. Even though the indigenous government would have approved the programme, the content is mainly produced by the outsiders (Boettke et al. 2008, 335).

3. Indigenously introduced exogenous (IEX) institutions

In between IEN and FEX institutions, Boettke et al. place indigenously introduced exogenous institutions that are associated with policies created by national governments. IEX is exogenous in the sense that it is constructed largely by outsiders to the local community. However, this exogenous construct is introduced by a national or a local player. Since IEX is introduced by national/local players, the institution might, according to Boettke et al., have more appeal than an exogenous institution introduced by outsiders. In terms of stickiness an IEX is more likely to do so than an FEX and less likely than an IEN.

Interventions by the development community, like the IMF or World Bank, are, according to Boettke et al., in most cases FEX institutions. This means that even if the development community has correctly identified what types of institution are needed, it is still very unlikely that these will “stick”. However, the authors refer to West Germany after the Second World War, where the development interventions “stuck”. However, the authors site more examples, such as the similar intervention in Russia after the collapse of the Soviet Union, where the FEX institutions did not “stick”. They recognize that even if

“exogenous force is needed to jolt agents out of suboptimal institutional arrangements, such force has low voltage precisely because it is exogenous. In other words, despite the fact that exogenously introduced change provides a conceptual way out of locked-in, inferior institutional arrangements, realistically, its power to alter institutional paths is severely limited” (Boettke et al. 2008, 353).

If an FEX institution sticks, this means that it can be traced back to an IEX institution and hence, also indirectly to IEN one, which is “rooted in metis” (Boettke et al. 2008, 345). This means that for institutional change processes to be successful they should be traceable to an indigenously introduced endogenous institution (IEN). Moreover, if the institutional change process considered is of the IEX type (indigenously introduced exogenous institution), it should also be traceable to an IEN one (Boettke et al. 2008, 354).

To conclude on Boettke et al., they have introduced the potential to predict the institutionalisation of the rules by assessing whether they “stick”. Further, their theorem holds that an outside agent can be very unlikely to introduce new institutions that also stick. They note that the new institutions need to be connected to metis or culture, thus emphasizing the importance of local norms. Local agents who have a good understanding of local norms are needed. However, their theorem does not really break culture into smaller parts so as to be able to understand how the local actors can bridge the gap between exogenous and endogenous elements of the institutions so that they stick. I therefore turn to discussion on how the economic institutions are embedded in social and cultural institutions and the ways these influence how economic institutions develop.

2.5. Embeddedness and social relations

In the field of natural resource management there is a wide literature that has engaged critically with institutionalist “common property” or “collective action” literature. Hall, Cleaver et al (2014) call this approach critical institutionalism and make a distinction between this and mainstream institutionalism. Mainstream institutionalism refers to common property and collective action analysis that they link to the New Institutional Economics of North (1990) and Ostrom (1990), which I have also referred to here as rational choice institutionalism.

Hall, Cleaver et al (2014) identify three key themes that they say leaves mainstream institutionalism lacking: First, the assumption that communities are homogenous; second, avoidance of power and politics and third, inadequate analysis of social phenomena. They claim that the collective action tradition is based on the assumption of homogenous community, since heterogeneity would constrain the crafting of rules because the different agents within the community would have different interests. This in turn has meant that proponents of community based institutions have not adequately analysed the politics and power relations in these institutions. This has often meant that “big men” like local chiefs, politicians or entrepreneurs have gained more power because they are not only the leaders, they also represent the community. They also argue that a lack of analysis of power relations has also meant that marginal groups within communities have not been identified or they have not been allowed to participate in the decision making. Moreover, they argue that social analysis has been inadequate in the sense that norms, values and symbolic meaning of resources has been lacking. Since the “rules .. are ‘fuzzy’; people’s complex social identities and unequal power relationships shape resource management arrangements and outcomes” (Cleaver 2012, 9; here Hall et al. 2014, 73), critical institutionalism sees a need for political and social analysis as well as analysis of norms (Hall et al. 2014).

The theoretical work for analysing the way social institutions contribute to the rules and social structures comes mainly from economic anthropology and economic sociology starting with the substantivist tradition within anthropology that was closely linked to Polanyi (1957). He suggested that whereas in “primitive” areas the economy was embedded in the non-economic institutions, in the industrialised West it had become dis-embedded from the social base/social institutions and should be re-embedded. Granovetter (1985) claims that in line with Polanyi the majority of social scientists think that the economy in pre-modern or tribal societies is profoundly embedded in social relations, but in modern market societies this is far less the case.¹⁵ However, according to him neo-classical economists and formalist anthropologists¹⁶ think differently. For them, the level of embeddedness of the economy in social relations is more or less at the same level in different societies. Consequently, neo-classical economic proponents believe their theory can applied to “tribal” societies effectively (Granovetter 1985). Granovetter disagrees with both of these views, for according to him the economy is less

¹⁵ Polanyi (1957) actually claimed that the economic sphere becomes *disembedded* from society in modern market economies.

¹⁶ In the debate between formalists and substantivists the formalists claimed that all societies including the ‘primitive’ and tribal societies the economic behaviour can be analysed assuming the same ‘rational’ behaviour as in Western societies.

embedded in tribal societies than what the substantivist anthropologist¹⁷ and many development theorists have claimed (Granovetter 1985). On the other hand, he thinks that the economy is more strongly embedded in market societies than neo-classical economists think. With the concept of embeddedness Granovetter is trying to locate a middle ground between the "over-social" view of social action, where the community's rules and norms largely guide what the individuals do, and the "under-social" view where the atomized individual makes rational choices without the constraints of the community or the norms. According to Granovetter, the economy is always embedded in social relations and seeks understand how these structure economic actions. For Granovetter, "[h]ow behaviour and institutions are affected by social relations is one of the classic questions of social theory" (Granovetter 1992, 53). Rational choice NIE would claim that the importance of social relations is minimal regarding the choices of an individual, because individuals are primarily motivated by self-interest. However, Granovetter notes that economic actions cannot be simply derived from the principle of profit maximization as social relations also influence the economic outcomes and heavily constrain individual action. (Granovetter 1992).

Several authors within this tradition have tried to identify the key social institutions influencing the way markets operate. Pujo (1996) shows how the social institution of gender influences the rice market in Eastern Guinea. Specifically, activities that require technology, e.g. husking or transport are controlled by men, because they have the funds to purchase technology and also because tasks where it is used are considered men's jobs even by women (Pujo 1996). Hence, she argues that the rice market is embedded in other social institutions. She concludes that "[rice] markets ... are partially determined, regulated and perpetuated by a wide set of social institutions" Pujo 1996, 132, here Johnson 2003). Likewise, Harriss-White (1998) argues that in West-Africa the social relations of gender enable women to be active only in certain markets, e.g. selling perishable vegetables and fruits, which do not bring much in income. Regarding the social institution of religion, Harriss-White reports from India that

"religious affiliation can govern the creation and protection of rent, the acquisition of skills and contacts, the rationing of finance, the establishment and defence of collective reputation, the circulation of information, the norms that regulate the inheritance and management of property and those that prescribe the subordination of women" (Harriss-White 2005, 7).

¹⁷ Substantivists that opposed the views of formalists claimed that in primitive cultures assuming Western rational behaviour did not provide deep and meaningful analysis.

Harriss-White's study of the Indian labour force shows that it is not just regulated by the state and the market, but that it is also "socially regulated" by class, gender, and caste in addition to religion. Regarding the concept of "social regulation", Harriss-White wants to emphasize how social institutions influence the way the economic ones are functioning and that social institutions confer power on some people over others (Johnson 2004a; Harriss-White 2005).

2.5.1. Social relations and savings group performance

Within substantivist and economic sociology tradition there are several authors who have sought to analyse informal savings and credit groups in terms of how they are embedded in culture and in different social institutions (Geertz 1962, Ardener 1995, Bouman 1995, Hospes 1996). Geertz (1962) provides an interesting description in the 1950's from Indonesia on a ROSCA in the process of transforming itself into an economic institution, whilst being embedded in social and cultural institutions. However, neither Geertz nor Ardener (1995) tried to analyse how social institutions influence the rules, norms and operations of the groups, what power dimensions the social institutions have and which specific ones influence groups. There are only a few studies that have sought to understand more specifically which institutions have an impact on group performance and how they do so. Hospes' (1996) research on financial markets in Ambon, Indonesia is one of them, viewing financial systems as "social systems sustained by actors who are not only participants of these systems but also of other social systems, such as ethnic community, an extension program, an office, a neighbourhood, a religious society, a group of entrepreneurs, that affect or somehow embed financial systems" (Hospes 1996, 13). Hospes thinks the different forms of ROSCAs need to be studied and related to the differences in "local economic, social and political developments, since the economic, social and political conditions affect the way informal groups operate" (Hospes 1996). Another author that has sought to understand which specific social institutions influence the rules and performance of savings groups is Johnson (2003). She explains the popularity of mutuals (SACCOs and also informal groups like ROSCA and ASCAs) in Central Kenya as a result of the social relations and cultural norms that people have in relation to land, in particular of meaning related to ancestors and social importance of inheritance. According to Johnson, mutuals are therefore popular because people are not willing to mortgage land to get a loan from the bank.

To conclude on embeddedness, the central contribution of economic sociology and anthropology is the realisation that economic institutions are always embedded in social and cultural institutions. Unlike NIE that only deals with the functions of institutions and is trying to

make them more effective through lowering transactions costs, the embeddedness approach allows for the institutions themselves to be analysed. Further, Harriss-White's claim that social institutions "regulate" economic ones and economic development emphasises the power dimensions of the social and cultural institutions (Harriss-White 2005; here Johnson 2006). Regarding institutional change in relation to embeddedness, Williamson suggests that at the embeddedness level change takes place very slowly meaning that trying to change rules that are strongly embedded in social norms might be a very slow process and hence, it is important to understand which social norms enable or prevent the change of particular rules.

2.6 Institutional change theories and the study of Savings Groups

As noted in chapter one, Ostrom's framework offers a detailed set of rules for analysis to give a basis for the enquiry, albeit that her approach is based within a more rational choice institutionalist perspective. Her design principles are also open to enquiry regarding the means by which rules are created, monitored and enforced in the operationalization of SGs. However, Ostrom does not specify how change might actually occur, i.e. what are the processes through which the change takes place. The theories of Mahoney and Thelen, Boettke et al. and the embeddedness approach have introduced important themes that explain how institutional change takes place. These themes are first, power and politics; second, external intervention and the balance between external intervention and indigenously introducing endogenous rules; and third, under the theme embeddedness the importance of social relations and norms in how dynamics work out in practice. These themes are incorporated into the analysis. This section briefly discusses how power, the embeddedness approach and Boettke et al's external intervention and the balance between what he calls "foreign", or external, and indigenous rules is related to the other theories discussed.

First, it is useful to include the variable of power and politics as well as the concept of compliance from Mahoney and Thelen's theory so that this aspect of Ostrom's design principles can be analysed. This therefore involves identifying who the different interest groups with a political veto to changing the rules are and how they act to resist changes in the rules or steer them towards their preferred outcomes.

Of the different theories, Boettke et al.'s is the most explicit that emphasizes the importance of social embeddedness with its emphasis on metis (culture), even though as noted it is not able to

explain how the local actors can bridge the gap between exogenous and endogenous elements. Ostrom's framework deals less with the embeddedness level and does not (at least explicitly) include norms and social relations as well as the power dynamics related to these. In order to understand how social relations influence the formal rules, norms and social relations, then these would need to be explicitly integrated into Ostrom's framework under the "attributes of the community". However, even though embeddedness is less central in Ostrom's framework, it could be interpreted that this is essentially achieved through an in depth participation in crafting and modifying the group rules.

With respect to the relationship between institutional change and embeddedness, the latter suggests a high degree of path dependence such that where the implementation of rules is strongly affected by norms then they may be slow to change. So part of the issue is understanding how embeddedness in particular social relations might facilitate or prevent institutional change. The implication is that some social relations and the norms that they involve can promote the adoption of new rules while others may not. For example, Johnson (2004a) showed that the norm that women manage small amounts of money on a regular basis as a result of the gender division of labour means that they might more easily be able to engage in savings groups than men. Linking embeddedness and Mahoney and Thelen's characterisation of how modes of institutional change takes place (displacement, layering, drift and conversion), the issue is whether the modes can be applied not just to formal rules as these authors do, but also to social norms.

With respect to external intervention, it is only Boettke et al that deal with this explicitly. Both Ostrom and Mahoney and Thelen only deal with institutions that are effectively understood to be indigenous or local and operating within their own socio-cultural context. The Common Property Institutions that Ostrom has studied are member-owned organizations where the rules are generated without external intervention and, similarly, Mahoney and Thelen discuss gradual institutional change without an external intervention.

However, regarding how to find the balance between exogenous intervention and indigenously introduced endogenous rules Boettke et al. note that an "outside" intervention has its own cultural boundaries because the outsider most likely tries to impose his own views. It can be interpreted that in Ostrom's framework, it is genuine participation that is able to bridge the gap between Boettke et al.'s endogenous and exogenous elements of the institution so as to ensure that the institution is close enough to these scholars' metis to stick. Ostrom's design principles are interesting in this regard, because she analyses Common Property Resource institutions

which are indigenously introduced and evolve endogenously (IEN). She argues for the design principle of participation and this can be seen as seeking to ensure that rules do indeed stick. This in turn, suggests that it might be possible to bridge the gap between exogenously devised rules and endogenous ones better through a sufficiently in depth and extensive process of participatory training and development of the model, both among trainers and then between trainers and members, such that this gap in understanding can be addressed and its dynamics understood. In an analysis of the introduction of new rules into the microfinance sectors in Bosnia and Uganda, Goodwin Groen (2012) shows how an extensive phase of discussion between local practitioners and foreign experts was crucial to ensuring that proposals for regulations and guidelines were well understood by local players even though they involved advice from external experts and as a result they did indeed “stick”. Obviously, such a process has to be adequately two-way and one in which local actors can negotiate changes in the rules that will support their own objectives, whose importance they can understand. Hence, such a process requires not a nominal form of participation, but rather, needs to have the potential to be transformational (see White 1996) . That is, it must be sufficiently engaging, that the purposes are indeed understood.

2.7. Conclusion

The review started by considering the wider NIE framework, as represented by North and Grief, that has attempted to understand how institutions change. NIE has brought institutions into the analysis of economic development and has provided conceptual tools for analysis, such as the transaction costs approach. Then Ostrom’s intermediate framework for studying collective action institutions at the micro level was presented and analysed, where it emerged that she provides a framework for analysing rules in such institutions. She also suggests design principles on how better outcomes in terms of collective action can be achieved, but she does not analyse how change occurs. However, as the discussion has indicated both the NIE view of North and Ostrom’s perspective on how institutions change is limited. In particular, neither have they been able to theorize how politics and social relations might be integrated into the NIE or rational choice institutionalism. The limitations of the latter in terms of its ability to analyse change led to reviewing the theory of Mahoney and Thelen, who emphasize that institutions are, at least partly, distributional instruments and they assume that compliance is

not necessarily complete. Institutional change is then understood as an outcome of the compliance variable and hence its dynamics are related to changing power dynamics.

The limitation of the analysis by Mahoney and Thelen is that they only deal with formal rules, failing to cover the importance of norms and the social institutions (the embeddedness level in Williamson's categorization). Boettke et al.'s theorem was introduced, because it brings in external intervention as well as culture. Even though their concept of culture (*metis*) is rather limited, it provides an opportunity to expand on the phenomenon. Within economic sociology, Granovetter emphasises that all economic institutions are in turn embedded in social institutions. Whilst Harriss-White and Johnson's contribution has been to highlight that economic institutions are not just embedded in social and cultural ones but also that these two types institutions "regulate" the foremost, which thus emphasizes their power dimensions. It was concluded that Ostrom's framework will be used as a basic framework to study SGs. However, power, politics and the concept of compliance drawn from Mahoney and Thelen need also to be analysed integrated in order to examine *how* change occurs. In addition, it was concluded that the dynamics of external intervention as considered by Boettke et al. need also to be taken into account.

The findings from the literature review indicate that social relations are under-theorized in the works of Ostrom, Mahoney and Thelen as well as that of Boettke et al. It is important that institutional theory is extended so as to take into consideration the drivers for embeddedness, for, as Williamson points out, the existing institutional theories have not dealt with this challenge. Hence, it was concluded that social norms and social relations need also to be studied since they are not part of Ostrom's framework. Linking embeddedness to her framework implies that when rules are strongly nested in social norms, they will change slowly. So, part of the issue is to understand how embeddedness in particular social relations might facilitate or prevent institutional change. Mahoney and Thelen point out that politics and power impact on how a veto is exercised, and the review of social embeddedness suggests that it is likely that the social relations of gender, kin and so on will also influence this.

CHAPTER 3. RESEARCH METHODOLOGY

3.1. Introduction

Chapter 2 established the conceptual and theoretical basis of this study. It discussed the way in which rational choice institutionalism has brought institutions into the analysis of economic development but has been criticised as having a narrow focus on incentives and prices. Ostrom's (1990 and 2005) framework for analysing collective action institutions related to the management of common property resources was introduced as located within rational choice institutionalism but providing a much more operationally focused approach to this analysis. The limitations of NIE in terms of its ability to analyse change led to a turn to historical institutionalist frameworks and in particular to the insights of Mahoney and Thelen who see institutions as distributional instruments which allow for change through the power of stakeholders and the degree of compliance. However, the limitation with the analysis of Mahoney and Thelen is that they only deal with formal rules and do not discuss the importance of norms or underlying social institutions. Hence, Boettke et al.'s theorem, which incorporates a dimension of culture as well as external intervention was introduced. However Boettke deals with the culture in a similar way to the way Williamson refers to underlying social norms which led us to consider the way social embeddedness has been discussed in economic sociology and economic anthropology.

The overall objective of this study – as stated in Chapter 1 – is to examine the extent to which the adoption and use of savings group rules can be explained by theories of institutional change, with subsidiary questions related to, first, their sustainability over time and, second, to the influence of the social, cultural, economic and political context.

This chapter therefore turns to a discussion of how this study proceeds. Ostrom's framework for analysing collective action situations was introduced in the last chapter as an approach which offers some detailed tools for operationalising the study of SGs, although her conceptualisation is largely within a rational choice view. Therefore, I first present a discussion of how it will be used in this study. Second, I discuss the research design in terms of methodology, methods and sample selection, before turning to a discussion of reflexivity, reliability, validity and ethics.

3.2. Analysing SGs using Ostrom's framework

Since the theoretical discussion of institutions and institutional change in the NIE, historical institutionalism and new economic sociology are very broad, it was necessary to look for an intermediate framework through which to investigate rules and norms and how they are operating at the group level. As outlined in the previous chapter, Ostrom's (1990; 2005) framework for analysing collective action institutions offers a useful tool because, savings groups are indeed a form of collective action and the focus of SG interventions is on enabling these to operate more effectively. Ostrom's action arena consists of the actors (participants) and an action situation. In this study the action situations are the saving group meetings and other interactions that the SG group members have because of the SG activities or responsibilities. Actors are the group members. However, as noted earlier, Ostrom's framework for analysing action situations does not include an external intervener. In the case of savings groups the external intervention is undertaken by the implementer (CARE) and the trainers it introduces to train the groups, even though it can be argued in line with Boettke et al. that whereas some of the rules were "exogenous", perhaps the trainers the "indigenous" introducers.

Ostrom's approach offers two dimensions for analysis. First it offers a specific categorization of the types of rules that a collective action situation must have in order to operate effectively. These were listed in their general form in the previous chapter, and can be more specifically applied to the case of SGs in order that the study can proceed to identify the rules of the action situation, as follows:

- Position rules define what positions groups have which in savings groups are the positions for example of the chairperson, secretary, treasurer, members etc.
- Boundary rules or exit and entry rules define who is eligible to enter a position for example to become a member or become a chair. Boundary rules also determine through what process potential participants enter and how the individual may leave a position e.g. some groups have a limitation how long the same leader can remain in the position.
- Choice rules specify what a group member in a particular position, e.g. chairperson, secretary, or member must, must not or may do.

- Aggregation rules determine whether single participants can make the decision or whether several and all participants are needed to support the decision.
- Information rules determine how information should flow between participant, what information should be communicated to members and what information should not be shared with non-members and in what form should the information be communicated, for example, in financial records, minutes or just verbal communication.
- Payoff rules determine the rewards (incentives) and sanctions to specific actions that have happened, in SGs this includes the way loans are allocated and the share out is made.
- Scope rules are outcome targets that regulators would set for the collective action situation. In savings groups scope rules might be (financial) performance targets that the trainer or the group itself has given to the group.

The second dimension Ostrom (2005) offers is the design principles for robust collective action institutions. However, four of the eight design principles are not so central to the analysis of SGs and the groups could not be clearly differentiated based on these four design principles. The first design principles, clearly defined boundaries are self-evident in the case of SGs in the sense that it is the members that save and borrow that are within the boundaries and the non-members are outside of the boundaries. Although occasionally groups do lend to non-members, this is as non-members so there is no difficulty in identifying this boundary. Regarding the second design principle, the proportional equivalence between benefits and costs, this is also rather clear: members invest time in attending meetings, invest their funds in the group and can borrow a multiple of their savings so that again the relationship between their costs and benefits is fairly straightforward and does not bear similar levels of uncertainty to that involved in managing and maintaining common property resources. Regarding the seventh design principle, the minimum right to organise, this is certainly the case and in fact SGs were encouraged and are able to register with the government's Ministry of Culture and Social Services which gives groups certificates of registration. The last design principle did not apply to SGs since they were not designed to be or in fact directly nested into a larger system.

Hence, the analysis will proceed by focussing on Ostrom's third, fourth, fifth and sixth design principles.

The following adapts the four principles to the specific case of savings groups:

- Participation: Whether the savings-group methodology has enhanced the participation of those involved in making key decisions in the group?
- Monitoring: Who is monitoring that the group rules are followed and do they face appropriate incentives given the challenge of monitoring?
- Sanctions and enforcement: What are the sanctions that the group is authorizing and can they be adjusted so that someone who makes an error in a small rule infraction is sufficiently warned so as to ensure longer-term compliance without our trying to impose unrealistic sanctions? And are sanctions graduated in the sense the more serious the offence against the group, the more serious is also the sanction? For example if the loan is late by a week, is the member warned but if the loan is late by three months, are her assets confiscated?
- Conflict resolution: What local mechanisms exist to resolve conflicts arising over the use of savings group resources?

The categorization of rules and the design principles capture her analysis of what is needed for collective action institutions to operate effectively and so offer a first basis for the analysis. It allows the analysis to explore, first, what rules are in existence and, second, what the dynamics around their introduction and operation are. Through this the dynamics of participation, monitoring, enforcement and conflict resolution can be determined.

There is a wide literature that examines participation in development practice pointing out the problems and pitfalls. As White (1996) has noted this can result in very different outcomes ranging from it being purely of a nominal form to genuinely transforming that when carried out in an unsatisfactory way, participation or lack of it can reinforce exit. Indeed, Cooke and Kothari (2001) claim that the advocates of participation do not deal properly with the issue of power and unequal power relations are highly problematic for participation, but Ostrom does not problematize her design principle. . While participatory interventions are supposed to be bottom-up and empower the poor, Cooke and Kothari argue claim that participatory interventions often tend to be top-down and reproduce “dominant power structures” (Cooke and Kothari 2001, 171) In some case local communities “ask for what they think they will get” in others “development partners are able to project their own various institutional needs onto “ recipient communities (Cooke and Kothari 2001, 24).

However, there are other authors that claim that participation is not necessary “tyrannical” and can be empowering. The collection edited by Hickey and Mohan (2004) is a response to Cooke

and Kothari's work and claims that participatory approaches can also be transformative. The starting point for Hickey and Mohan is that politics matter. They claim that "understanding the ways in which participation relates to existing power structures and political system provides the basis for moving towards a more transformatory approach to development; one which is rooted in the exercise of a broadly defined citizenship" (Hickey and Mohan 2004, 5). The way Ostrom describes the process of participation indicates that she expects participation to be transforming because in her models participation has the ability to achieve effective organisational structures. However, Ostrom does not share Cooke and Kothari's starting point that politics matter, and does not explicitly deal with how power structures underpin and influence the quality of participation.

Ostrom pays particular attention to the biophysical and material conditions in which the collective action arena is operating as these are clearly central to the natural resource common property situations with which her analysis was primarily concerned. In the context of financial arrangements to provide social insurance, Platteau (1997) argues that the nature of these arrangements is affected by the interaction they experience as a result of their livelihood activities. For example, that in agrarian societies there is more likely to be balanced reciprocity than conditional reciprocity (i.e. social insurance) when these interactions are less frequent. Hence biophysical and material conditions might also impact the operations of the groups and their rules and norms in rural areas that are frequently affected by drought. However, since the inquiry will be undertaken in areas which are not hugely bio-physically diverse, that is, the agricultural activities are somewhat but not hugely different, this may not be a strong feature of this study.

Moreover, the aim of this analysis is not just to understand whether the design principles work or not, but through the analysis of social relations and social embeddedness to understand what the influence of these is on how the design principles work. As pointed out in the last chapter, these aspects are subsumed into her category entitled "attributes of community" but are attributes to which this analysis will play much closer attention. As has been shown in the discussion of informal financial groups in Chapter 1 and the discussion of social embeddedness in Chapter 2, there are a range of social relations that might affect the way the institution is operating. For example:

- What role do the social and cultural practices of different ethnic groups play in explaining differential group performance - for example, do different ethnic groups have social or cultural practices which support the implementation of some rules more than others?
- What is the impact of gender relations on rule implementation, monitoring and enforcement? This includes not only how gender differences affect the ways in which rules are implemented, monitored or enforced but whether the mix of men and women in groups affects how this occurs.
- What is the effect of kin relationships on the performance of groups? For example how are rules enforced between members when their relatives are also in the groups?
- What is the role of differences in wealth among group members on its performance

Ostrom's framework therefore offers a starting point for a focussed and in-depth analysis of the SGs with a focus on the rules in use, the extent to which the design principles are in operation, but one which will be enhanced by a much stronger one on the "attributes of community" in terms of the social relations and power dimensions at work in their operation.

3.3. Research methodology and methods

Institutional analysis has primarily operated with an objectivist ontological orientation in both its rational choice and historical forms. As indicated above, those critical of mainstream institutionalist analysis, such as Hall, Cleaver et al (2014) point out that the analysis of the social and the ways in which meanings and values and their symbolic dimensions are inscribed into their operation has been lacking. Given the importance of social norms, social relations and culture for this research it is therefore important to move beyond an objectivist ontology and positivist epistemology to the analysis of institutions to an approach that can incorporate an interpretive epistemology.

Critical realism offers such an opportunity and there has been some consideration of its use with respect to institutional economics (Wilson 2005). Ontologically it takes as its starting point the view that "the social world is reproduced and transformed in daily life" (Bhaskar, 1989:4, here Bryman, 2004: 440) and hence is neither entirely objectivist nor constructionist ontology. It takes the view that social phenomena are real but that it is their effects rather than the phenomena themselves that are observable. This position allows that knowledge of the world

can produce alternative valid accounts rather than be certain (Maxwell 2012). At the same time it accepts that understanding of the world is necessarily therefore relativist and constructed. This position therefore also accommodates an interpretive epistemology. Interpretivist epistemology “requires the social scientist to grasp the subjective meaning of social action” (Bryman 2004, 13) which enables a more inductive analysis of social relations and social norms and values to be undertaken.

The research has employed mixed methods which is also consistent with this more open ontological and epistemological stance, since critical realism treats both individual’s situations as well as their perspectives as real phenomena which interact (Maxwell and Mittapalli 2010). In particular it was adopted because it was perceived that quantitative data would facilitate some testing of the relationship between socio-economic characteristics and group performance and that the detailed examination of performance would provide triangulation for the qualitative research findings.

Quantitative methods were necessary to investigate the financial performance of groups since, as has been pointed out above, anthropologists have frequently taken claims about the performance of informal groups at face value without examining in detail the actual processes and patterns of payment involved. In the field of SGs, quantitatively based claims about financial performance are strong and it is therefore important to assess these. Second, detailed analysis of financial performance data would also enable an assessment of the relationship between financial performance and socio-economic dimensions of group membership as a means of approaching the assessment of the role of social dimensions such as gender, wealth and education. Moreover a detailed understanding of the financial performance of groups was expected to enable a deeper understanding and interpretation of the experience of group members which was to be investigated through qualitative interviews. The time consuming and intensive collection of financial data also enabled us to uncover several of the default and misappropriation cases that did not come out in the qualitative interviews. Never the less, a significant part of the data was collected with qualitative methods.

The qualitative data component more obviously allows investigation of the “facts” of actual financial transactions in terms of members’ own experience of participation in the groups. Hence the analysis of qualitative data is largely interpretative because it gives consideration to the meaning that actors give to their actions (see Bryman 2004). Underlying social institutions and structures can also then be investigated to act as a frame for actor’s interpretations. This has been done through quantitative and qualitative data, as well as observation of the way

groups operate and has allowed allow me to explore the interactions of members to reveal the social relations and power dimensions of their interaction.

3.3.1. Longitudinal research design

Studying institutional change as it happens necessitates research over many years using a longitudinal approach. Longitudinal research involves studying a phenomena over a period of time which usually implies that data will be collected at least twice. Further, the cases that are studied during the first and subsequent periods have to be the same or at least similar. Retrospective studies analysing the past through e.g. life histories can also be considered as longitudinal (Thiétart and Wauchope 2001). Historical institutionalist studies are usually undertaken over decades and often therefore use secondary historical documents and records as their evidence base.

In the case of studying institutional change in SGs, the timeframe is in part provided by the expectations of change by the intervention itself. The SG model proposes that groups will be trained and supervised over a period of one year, after which they will be left to carry on with the methodology on their own. This therefore anticipates a rather rapid change in the way business is done in these groups - breaking away from indigenous ASCA and ROSCA practices to adopt the rules of this new model. A research design with a longitudinal component was deemed possible within the timeframe of this doctoral enquiry in part because I was undertaking the research part-time and this therefore offered the prospect of undertaking four visits over a period of two years.

Data for the study was collected both as it happens as well as retrospectively. Observation of the groups was undertaken where possible. Qualitative interviews were both current and retrospective in their orientation – enquiring into the formation of the groups up to four years ago as well as the more recent experience of their operation. Two biases may have nevertheless had an impact on the collection of these recall data. The first is whether the interviewee was able to remember correctly, or to remember the phenomena at all. The second bias is that the interviewee might have in the light of his/her present understanding rationalised what had happened, for example interpreting an incident in a more positive light afterwards. Several methods have been suggested to reduce the biases because of recall and rationalization (Thiétart and Wauchope 2001). First is that information collected from different interviews can be weighed against each other; second, information given by the same

interviewee in subsequent interviews can be compared; third, that if the interviewees cannot easily remember, they should not be probed to answer; finally, that questions should not be asked about the very distant past. All of these approaches have been used in analysing the qualitative data collected here.

Another challenge when collecting data from the same agents several times is that the information could be interpreted differently at different times, especially if different people collect the data. Thus it is important that the same researcher or research assistant collects the information. This was possible during the second and subsequent visits but, due to logistical reasons, the research assistants involved in the first cycle of field research were not available for the subsequent ones.

3.3.2. Sample selection

This study examines institutional change in savings groups that were formed and trained by CARE's COSALO project in Nyanza province in Western Kenya between January 2009 and July 2011. The COSALO project operated in three districts: Vihiga, Rachuonyo and Nyamira. Two of the locations were selected for the study, namely Rachuonyo and Nyamira. These two districts neighbour each other and are home to different ethnic groups: Rachuonyo is in the Luo-speaking part of Nyanza, while Nyamira is from the Kisii-speaking part. So by selecting them this made it possible to study groups operating in different socio-cultural contexts and offering scope for their comparative analysis while keeping the logistics of the study feasible. .

Initially, the aim was also to study groups that were formed at different times and in different ways. First were 'old' groups who had been trained at the beginning of the project and hence were at least a year old at the beginning of this study so that by April 2011 they were supposed to be operating autonomously. Second, the idea was to observe the training of some 'new' groups and to follow them through in order to be able to observe whether and how the adoption of the rules drifted over time in comparison to the older groups. However in practice we were not actually able to observe the training process for logistical reasons so had to use qualitative interviews with these new groups to understand what had happened in a similar way as the older groups. Moreover, since the analysis revealed little difference in performance between these categories, it does not actually differentiate them in practice.

A third category of groups was also anticipated. The project anticipated that groups would spontaneously replicate themselves using the new approach and there was some evidence from a previous study that this was happening.¹⁸ In terms of research, the idea was that if spontaneously replicated groups were found in the study areas, they would have been studied as a means of examining how groups explain rules to each other. If the replicated groups were found to follow similar rules as the groups that were trained by ‘professional’ trainers during the project, and if it is possible to find out how the ‘indigenous’ trainers argue for rule/norm changes, then this research project would have been in a position to assess more deeply how the local institutions (rules and norms) had in fact changed. However, despite the apparent evidence of their existence we were not in fact able to identify these groups in the field.

In order to select groups for the study, CARE was asked to draw up a list of what it thought were its best trainers. It may appear odd to ask for the trainers they thought were the best. However, this was to seek to ensure that the groups had the best opportunity to understand and implement the new rules, rather than to find that the rules had not been implemented because the training had not been done well. By selecting the trainers that the implementer itself thought were most successful, the aim was to mitigate this problem of variability in training quality. The idea was then to randomly select from the shortlisted ‘best’ trainers, a few whose groups could be studied.

As discussed in chapter 1, in terms of training in COSALO project CARE used three different approaches to organising the training, what it calls delivery channels: first, trainers who were directly employed and managed by CARE; second, trainers managed by faith-based organisations, i.e. churches or FBOs; third, it wanted to test out a private sector approach in which trainers were managed by private businesses (franchisees). In total CARE had trained 50 trainers across these three delivery channels

However, instead of shortlisting the ‘best’ trainers as we requested, CARE had asked its different regional offices to provide not a selection of good trainers but the ‘best’ trainer under FBO and franchisee category in each region. Also the trainers selected by CARE regional offices had already been informed that they had been selected for the study and a time arranged when the research team would meet the four best trainers, two from each area. CARE had selected these trainers as their best based on its understanding of their groups overall performance in rule following and the financial performance (judged on return on savings) these trainers produced. I decided to proceed with their suggestions anticipating that there was still likely to

¹⁸ Results of a study of post-project replication of group in COSALO. FSD Updates No 7 March 2012.

be adequate variation in their results to be of interest, and as the subsequent chapters will show, there was indeed more than sufficient variation among the performance of these groups to form the basis of the research.

Initially the intention was also to select only trainers from the FBO and franchisee delivery channels in order to have comparison, and to exclude those directly implemented by CARE. This was because the intervention was also seeking to lower the cost of delivery by implementing through these channels as CARE's own costs tended to be higher. The project sponsor, FSD Kenya was therefore concerned to find ways to scale up the intervention by lowering training costs. However, having selected two districts, in the first field visit it was found that there were no franchisee trainers in Rachuonyo District, only FBO trainers and those directly managed by CARE. Hence from Rachuonyo CARE had selected two trainers that were under the local church (FBO). Since we also found that these FBO trainers were still visiting some of the groups after they had - in theory - finished the training, we then decided to drop one of these and substitute groups that had been trained directly by CARE as in this case the trainer (regarded as a good one) was no longer present and this therefore offered some comparison which matched the original intention of the methodology.

Each trainer was then asked to list all the groups that they had trained and that had completed at least one share-out and rank them into good, medium and poorly performing groups. Then one group from each category was randomly selected. CARE officials in Rachuonyo assisted in ranking the groups of the trainer that had left. This ranking was based on the Return on Savings at the time of share-out.

As table 3.1 indicates, the total sample consisted of 24 groups: half of the groups, 12 groups, were from Nyamira, six groups that had been in existence for at least one year and another six that were formed in April 2011 when the research project started.¹⁹ Likewise, there were 12

¹⁹ The complexity of new group formation processes was interestingly revealed more fully during our last visit. We then found out that only the FBO channel in Rachuonyo had actually recruited three entirely new groups. The franchisee in Nyamira used existing groups and in two cases asked members from existing groups to form a new group and in the third case presented an existing group as a new group. The FBO channel in Nyamira had recruited two new groups, but the third one was an existing group that had been formed in February 2011. According to CARE rules trainers were not supposed to form groups with members that were already in other Savings Groups - so this was in itself a breach of the rules but goes to demonstrate how incentives affect the way rules are actually implemented. Within the Franchisee channel all the members of two new groups were already in other CARE groups. However, while filling the CARE application form for the new groups, the trainer noted that no one belonged to other COSALO groups. The benefit of presenting an already existing group as new group enabled the delivery channel and the trainer to receive the payment for forming a group twice. The fact that several of the 'new' groups were actually 'old' groups was another reason why the old and new groups were in the end analysed as one category.

groups from Rachuonyo, nine groups that were at least one year old in April 2011 (and more than two years old in May 2012) and three 'new', that were formed in April 2011.

The sample consisted of 24 groups but the exact total number of group members varied over the period of research. At any one time there were around 690-695 members in the groups. However, since members left groups and new members joined, the research collected financial data about 1025 individuals who had been group members in these 24 groups over a period from April 2011 until May 2012. This in itself suggests a high level of turnover of membership.

Socio-economic data was collected from 630 individuals that were members of the groups in April 2011 and that attended the group meeting in April 2011. During April 2012 socio-economic data was collected from two groups from which data had not been collected in 2011.

Table 3.1. Overview of final sample

	Nyamira	Rachuonyo	Total
Number of groups	12	12	24
Number of trainers	2	2	4
Groups by delivery channels			
1. CARE direct	0	6	6
2. Faith Based Organisation	6	6	12
3. Franchisee	6	0	6
Groups > 2 years old	6	9	15
Groups 1 year old*	6	3	9
Financial data on group members (from records)	507	518	1025
Socio-economic data on group members(respondents)	370	260	630

*In April-May 2012

3.3.3. Quantitative and qualitative data collection

As indicated above, this was a mixed methods study with quantitative and qualitative data being used to assess different aspects of the groups and their operations and to complement each other.

First, quantitative data was necessary to understand the financial performance of groups and member's socio-economic characteristics. A panel survey of member and group level financial performance was collected from group records over multiple rounds of data collection. The

instrument collected data on member's savings and loans at the individual level and also collected the performance data of the group as a whole (e.g. Return on Savings). This data collection was in fact highly complicated and time consuming as data records were rarely complete or well kept. Nevertheless, persistence with this paid off because it did much to reveal the reality of how money was actually being managed as will become evident below. Second, a questionnaire survey was administered to all group members on socio-demographic and livelihoods data. In particular, the survey used some similar questions as are contained in the national FinAccess surveys in order to provide data that could be compared with those datasets.

The financial data and socio-economic data on group members were analysed in two main ways using the SPSS statistical package for the recording and data analysis. First, the socio-economic data was used to produce descriptive statistics of the profile of members to compare the sample with available national level data so that the sample can be put into a wider context. Second, the financial performance data have been used alongside scores regarding rule following (see below) to construct a number of measures of financial and rule following performance. These have then been used to statistically test the correlation of these with socio-economic variables of gender, poverty, wealth differentials and education in order to assess whether these appear to be influencing performance in any systematic way.

For the in-depth analysis of rules and norms and the influence of social relations on these, four approaches to qualitative data collection were used. First, semi-structured interviews were conducted with group members. We endeavoured to interview the two or three main leaders of the group - chairman, secretary and treasurer; and three members who were randomly selected. The data were collected both by directly discussing the issues or rules and norms with them but also indirectly by collecting accounts of what had happened in the groups and the nature and extent of rule following that could be understood from these. For example, if we knew there were delays, default or fraud in the groups, we asked what the group had done in order to recover the funds. We also used critical empirical incidents in the group history as a focus of such discussions with group members and leaders to examine whether and how the rules were actually practiced.

Second, key informant interviews were carried out with trainers themselves and other key informants such as project managers, local chiefs and so on, on a range of issues, including the training procedures, critical empirical incidents in particular groups, and issues around rule following and enforcement that arose as the research proceeded.

Third, during the third round of visits the groups were observed actually undertaking their group meetings in order to directly assess how the rules that the groups had agreed to follow were implemented. This was done by myself and two research assistants using a checklist, taking notes and triangulating our findings afterwards. These results were also turned into quantitative scores of rule following and used in the quantitative analysis. Qualitatively, the analysis also then uses these observations with the training methodology, and trainers and member's accounts of the training.

Finally, in order to understand the composition of groups in terms of relatedness of members to each other, relationship maps were drawn in the smaller sample of eight groups. After a group meeting all the group members were invited to assist in the process of drawing the map on a flipchart that everybody was able to see. First the names of the leaders were written in the middle and group members names were then added one by one and all the members were encouraged to contribute how the members were related to leaders. Different colours were used to mark the following relationships between the leaders and members: from the same nuclear family, aunts, uncles, cousins, grandparents, in-laws and neighbours or friends. If some of the members were not related to any of the leaders, we inquired whether they were related to other members. Also, if they were not related to anybody, they were asked who had brought them to the group.

In practice, four visits were made over a period of just over two years: the first field visit took place in April-May 2011, the second in October-November 2011, the third in April-May 2012 and the fourth in May-June 2013. All of the qualitative data was stored in Nvivo and analysed with it.

During the first field visit two research assistants with Masters degrees from the Institute of Development Studies at the University of Nairobi assisted in the collection of the quantitative data. Since they were not available during the second and subsequent field visits, another female research assistant assisted in the collection of the qualitative data. She had been working for several years in a project that had done research on SGs and other similar groups and hence had a good understanding of the issues. She undertook interviews in Swahili, rather than the local languages. Whenever the respondents were not fluent in Swahili, I interviewed them with the assistance of local translators, one from Nyamira who was a native Kisii speaker and another from Rachuonyo who was a native Luo speaker. The local translators also organised field visits and interviews with the group members. The translator from Nyamira was a university graduate who had previously worked for a large donor funded health project in

Kisii, and the translator from Rachuonyo was a young trained English teacher who had not yet obtained a permanent teaching position.

Regarding the analysis and the coding of the material, I had some prior aspects I was interested in on the basis of the literature; for example gender relations, age and other forms of power dynamics around institutionalisation of rules. Further, the literature had also indicated that groups fail so I was particularly attentive to the reasons why they fail. The main reasons for group failures, default and fraud, came out over time as I observed delays and other problems. My research was oriented towards understanding that these dynamics were likely to have problems. These themes proved to be important features of how the systems were working that I needed to examine and pay attention to as the COSALO programme seemed to suggest that increased transparency and accountability of the SG methodology will avoid these.

I therefore analysed material and undertook coding around these themes across all the 204 interviews, of which 171 were SG participant, 12 trainer and 21 key informant interviews. However, not all the material in all the interviews was coded but that that related to above mentioned themes. In coding I further concentrated on the eight groups on which I had more in depth material and presented them as case studies in chapter 7.

However, I did not just encode data based on my understanding from the literature. These themes also partly emerged from observation. I did analysis between the different stages of fieldwork and this analysis then informed my next round of fieldwork. For example after collecting financial data during the first and second field trips the substantial challenges with repayment, quality of recordkeeping and misappropriation of funds became clearer and led me asking more questions on these themes during the consequent field visits and hence deepening the focus of the analysis on these areas.

3.4. Reflexivity and positionality

My access to the organisation was facilitated by the fact that I had worked with both CARE and its funder FSD Kenya previously. The project funder, had funded another project on the development of SGs that I managed. As part of that I had also been involved in an evaluation of the previous SG project that CARE had implemented (COSAMO). Further, since FSD was interested in funding a more in-depth research on the CARE SG project, they were willing to

fund the field work for this doctoral research project. Therefore, since both organisations knew me, I had a relatively easy entry into the field. Both organisations were used to research being undertaken on their projects and neither sought to directly influence the questions asked. As pointed out above, CARE were indeed keen to ensure that its best trainers were the subject of the research, but in this case this was convergent with the intention of the research to examine how well rules had been institutionalised among those groups who were expected to have received the highest quality of training. Nevertheless, in some aspects of the work I still had to negotiate my access with the delivery channels. As will be seen later, one of the delivery channels was not happy when we visited 'their' groups without them being present. Moreover, the results of this research were somewhat challenging and there was a strong reaction to the findings from CARE. Given my close relationship with FSD, it is unsurprising that CARE was sensitive to these findings as this could negatively influence FSD's future funding decisions. In these circumstances I approached the presentation of the findings in as balanced a way as was possible.

The research involved myself as a European male researcher interviewing individuals and groups which contained mostly Kenyan women. It has been reported elsewhere (McKeganey and Bloor 1991; here Silverman 2006) that male fieldworkers in certain situations do not have access or were not provided similar information than female fieldworkers. Similarly, male respondents might not be as willing to reveal information to female fieldworkers. In order to mitigate these effects, a female research assistant interviewed many of the female respondents. McKeganey and Bloor also claim that besides race and gender also age and social class of the fieldworker might influence to what extent the respondents are willing to reveal information. I was conscious of these dynamics and the involvement of a local assistant who also worked as a translator helped facilitate the interaction. Under these circumstances such assistants are vital to the interaction. By discussing the intentions of the research with them, they were able to find ways to explain the objectives and questions to respondents in ways that put them at greater ease.

3.5. Reliability and validity in qualitative research

According to Kirk and Miller "reliability usually refers to the degree to which the finding of a study are independent of accidental circumstances of their production" (Kirk and Miller 1986;

Silverman 2006, 282). To increase the reliability of qualitative research Moisander and Valtonen suggest two broad criteria, first, to describe the data collection and data analysis in detail and second to ensure that the theoretical framework on which the analysis is based is clearly laid out (Moisander and Valtonen 2006; here Silverman 2006). Both of these approaches have been used in this study. Data collection and analysis were described in this chapter in section 3.3. The theoretical frameworks on which the analysis is based were discussed in the literature review and in this chapter in section 3.2. They will also be discussed in chapter eight.

Further, Seale (1999) argues that reliability is associated with "low-inference descriptors". According to him this means

"recording observations in terms that are as concrete as possible, including verbatim accounts of what people say, for example, rather than researchers' reconstructions of the general sense of what a person said, which would allow researchers' personal perspectives to influence the reporting" (Seale 1999, 148)

To collect low-inference descriptors, Kirk and Miller (1986) suggest that the observer keeps different types of notes. First, short notes are jotted while observing, second, more detailed notes are made soon after the observation session and third a field journal is kept on ideas and challenges that arise during the observation sessions (Kirk and Miller 1986; here Silverman 2006). These different types of notes were kept. But in addition the majority of interviews were also recorded and later transcribed by myself. In order to enable increase systematic note taking in the case of observing the operations of groups at their group meetings, a checklist was developed. In this case three people took notes: myself, the research assistant and the local assistant-cum-translator and we discussed our notes immediately after the meeting to arrive at as full an understanding of what had happened as possible.

To achieve reliability in carrying out the interviews, great care was exercised that respondents understood the questions and that all the respondents understood the questions in the similar way. In order to ensure this, the interview instruments were pre-tested in the field and unclear questions clarified. Further the interviewers were trained on the instrument and in asking questions in appropriate ways. The interview instruments were devised in English, the research assistants undertook mock interviews of each other translating the questions into local languages who then answered the question first in the local language and then translated the question that she had heard back into English. In this way the research team were able to assess what aspects of the questions were unclear and revise how they were asking them.

Several methods have been suggested to assess whether findings are valid or trustworthy (Creswell 2003). First is triangulation; second, is to take the draft report back to the respondent and validate it through the feedback; third is to use “thick description” that provides the reader with detailed and convincing evidence; fourth is to increase validity by spending long periods in the field; and finally, the validity can be increased through “peer debriefing” with people that understand the issues but are not part of the research (Creswell 2003, 196).

The first method, triangulation of data refers to using multiple methods. In this research for example both observation and interviews were used to assess whether the rules in groups had changed. When similar findings were obtained with both of these methods, this increases the validity of findings. However Denzin and Lincoln note that in many instances using multiple methods does not lead to similar findings. Hence, rather than defining triangulation as a method to increase validity, Denzin and Lincoln write that triangulation “is best understood as a strategy that adds rigor, breadth, complexity, richness and depth to any inquiry” (Denzin and Lincoln 2000, 5). When studying financial performance or whether members were late in their repayment, the records often provided a very different picture than what members had initially revealed in the interviews. However, when respondents realised that the research team had also studied the group records, their responses often became more consistent with the picture that the records provided. However, as noted earlier, triangulation between the records and interviews in several groups was problematic because the records were of poor quality. The second approach to improving validity of taking the research findings back to the respondents was not directly used in this research, although our repeated interactions with respondents did mean that we were continually revisiting the earlier information collected and fitting it together with the latest developments. The third and fourth approaches of thick description method and prolonged field time were related in this research. By repeatedly visiting over a period of two years, the circumstances and dynamics of the groups to some extent unfolded. This fitted well with the fact that I was working part time and repeated visits are often meaningful to respondents. The passage of time can build trust, in particular when they become confident that there are no untoward consequences of being interviewed. “Thick description” is in part achieved in this study by providing significant extracts from the interviews in the empirical chapters that follow as well as in depth descriptions of the dynamics of some of the groups. Regarding the last approach to enhancing validity of “peer debriefing”, after the field work I delivered a draft report of my field findings back to the funder, Financial Sector Deepening Trust

(FSD Kenya). FSD had not been directly involved in the research and several useful comments were received. However the implementer, CARE was also present and, as indicated above, they were rather critical and questioned the validity of my findings by claiming that I had not properly understood the methodology, which was not in fact the case. This incident is discussed further in chapter eight.

The longitudinal research design also played an important role in increasing the reliability and validity of the data collection and findings. In the periods between field visits I was able to process and analyse the data which allowed me go back to the field with new question and probe issues further, hence increasing robustness. In particular, it was this approach that enable the extremely important dynamics of numerous default and misappropriation cases to become more apparent during the third and final field visits.

3.6. Ethical issues

All of our respondents were adults and verbal consent was sought to interview them and use the information provided for the purposes of this doctoral research project. A written note on the project was prepared and given to the respondents who wanted to have more information on the project. When asking for consent, respondents were informed that their identity and location would not be revealed and the names of the groups and the names of the respondents have been anonymized. One ethical issue that arose was whether respondents should be compensated for their time. Since this was longitudinal research, the selected respondents were to be interviewed up to three or four times. Since this involved some hours of their time, we discussed within the research team whether they should be compensated. However, in some ways it was the longitudinal nature of the research that made this more difficult as it risked turning our interviews into transactional encounters that would be regarded as meriting payment. It therefore also risked that people who were not interviewed might in fact become dissatisfied with our presence. We therefore decided not to directly compensate people for talking to us but did invite some of the interviewees with whom we spent more time to take a soda or lunch with us (see Ryen 2004).

In the course of the research some respondents appealed to me to be a link between them and the implementer (CARE) in order to circumvent the delivery channel with which they had been dealing since they were unhappy with the behaviour of one of the intermediaries. The case is

discussed in detail in Chapter six. I did this and sought to do it in a way that would not implicate the people who had raised the issue. While CARE had already closed the project and hence the intermediary could not formally be removed, in practice it did not distance itself from the intermediary either as this delivery channel was regarded as one of its most successful. As discussed further below, this was indicative of an important set of dynamics around that delivery channel.

3.7. Conclusion

The methodology chapter started by presenting the nature of intervention through which institutional change in SGs will be analysed. Then under research methodology Ostrom's framework for analysing collective action situations was operationalized for the study. It was noted that since Ostrom's framework does not deal with how change takes place, on external intervention, social norms and social relations, these will be dealt by using concepts from other theories.

The analysis used her categorisation of rules and her design principles as a focus for the analysis to explore what rules were in existence and what the dynamics around their operation were. Through this the dynamics of participation, monitoring, enforcement and conflict resolution can be investigated. But the aim of this analysis is not just to understand whether her design principles work or not, but through the analysis of social relations try to understand what are the underlying reasons why.

The study used a methodology that is inductive in that it seeks to build up the themes of the research from the data before comparing and contrasting these findings to the broader theoretical frameworks discussed above. It was also interpretive in that it investigated how members reported and explained their own experience of these groups. Importantly it was longitudinal in following groups adopting new rules over the period of two year to understand the dynamics of this adoption. It used a mixture of methods including a questionnaire survey, analysis of group records, in-depth interviews and observation. Different ways to increase reliability and validity were discussed before concluding by ethical issues.

CHAPTER 4. SAVINGS GROUPS IN CONTEXT

4.1. Introduction

As explained in the introductory chapter, this chapter contains contextual information regarding Kenya so as to situate the empirical study that investigates the effectiveness of savings groups as set out in the following three chapters. This contextual information involves reviewing the literature and evidence in four areas. First, a profile of informal financial groups in Kenya from national surveys is provided. As was briefly discussed in the literature review, there are several kinds of informal financial groups operating in Kenya. This section examines the scale and characteristics of informal groups currently operating, focusing on ROSCAs and ASCAs. The purpose is to provide a background on the scale, of their use, the socioeconomic characteristics of their users and to give an overview of the motives for using them as well as the problems users encounter. This analysis is based on data from national financial access surveys.

Second, the literature relating to the dynamics of groups, focusing especially on their social relations, in both Kenya and the wider African context is reviewed. The literature review in Chapter 2 highlighted the influence of social relations of class, wealth, gender, ethnicity, kinship and friendship on the performance of financial groups, since the extent to which rules are followed is embedded in these power relations. Based on the Kenyan and wider African literature, there is discussion of how power and social relations impact on group performance and patterns of rule following.

Third, the specific background of the study location in Nyanza, the people's livelihoods and the origins of financial groups in that area are covered. More specifically, this first section provides a geographical and livelihood overview pertaining to Nyamira and Rachuonyo in Southern Nyanza where the study was conducted. Anthropological literature gives some explanation regarding the origins and history of groups in these areas in the context of livelihoods. This evidence demonstrates that informal groups have provided financial and other services for many years prior to the recent phase of promotion by external agencies and hence, that these interventions are operating in the context of pre-existing social norms, patterns of social relations and institutional dynamics. Fourth, a brief outline of the macro-level of political economy of Kenya

since the colonial period is presented concentrating on patronage and politics. This sheds some light on the social and power relations that have emerged at the local level, in particular, in relation to the concepts of negotiability and rule following discussed in detail in a later section. This section highlights how some of the key themes of power and social relations at the wider political economy level can shed light on the micro level of social relations of groups discussed in the previous section.

4.2. A profile of informal financial groups in Kenya

This section first presents an overview of the use of groups as a financial service relative to other financial services. This followed by a profile of who uses these groups and third, there is discussion on the motivations for joining them as well as the problems members face.

4.2.1 Overview of the use of financial groups

This subsection first provides an overview of financial service use in Kenya. Three national surveys, in 2006, 2009 and 2013 collected data about financial access including information on informal financial groups. Table 4.1. presents an overview of the financial service use in the country.

Table 4.1. Financial service use (% of adult population)

Financial service	FinAccess 2006	FinAccess 2009	FinAccess 2013
	(n=4,418)	(n=6,343)	(n=5,849)
Banks	17.8	21.5	29.2
SACCO	13.1	9.0	11.0
MFO*	1.7	3.4	3.5
MMT registered**	-	27.9	61.6
Government	1.1	0.3	1.0
ROSCA	29.3	31.7	21.4
ASCA	5.7	8.0	5.8
Local shop	22.8	24.3	5.6
Informal moneylender	0.7	0.4	0.4
Employer loan	0.9	0.5	0.0
Buyer loan	0.9	1.2	1.1
Family or friend (saving or loan)	17.5	17.5	11.0

*Microfinance organisations

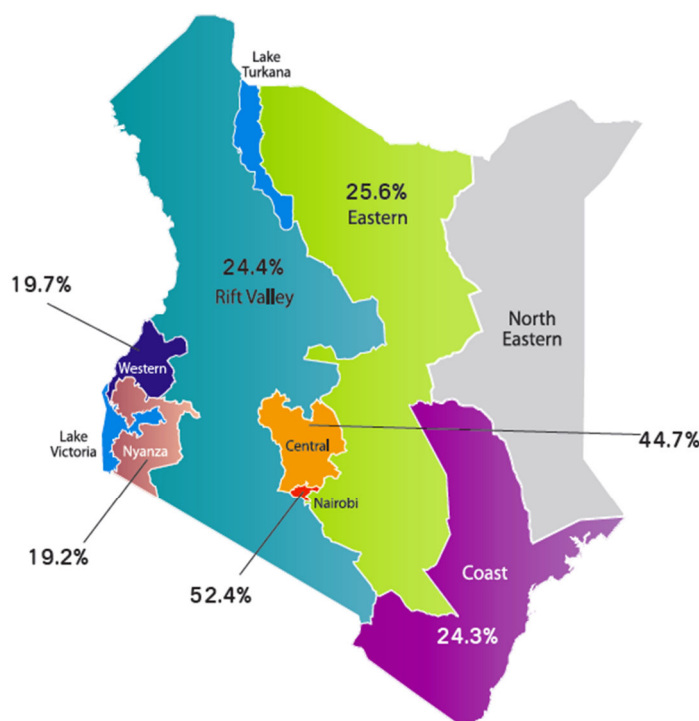
**Mobile Money Transfer registered users

Source: FinAccess surveys 2006, 2009 and 2013 (FinAccess 2009, 2013).

The table shows that whilst the use of banks increased substantially from 17.5% to 29.2% between 2006 and 2013, there are big regional differences. As figure 4. 1 shows, in the Nairobi region in 2013 52.4% of the adult population had a bank account, whereas in Nyanza this was the case for only 19.2%. The use of Savings and Credit Cooperatives (SACCOs) was notably reduced between 2006 and 2009, but has since increased to 11% in 2013. In recent years, SACCO reform has resulted in their services looking more like those of banks and at the same time the latter have started to compete for SACCO customers. Microfinance organisation (MFO) usage doubled between 2006 and 2009 from 1.7% to 3.4%, but this figure hardly changed up to 2013. The most significant change that has taken place across the three time points is in the use of mobile financial services (e.g. M-PESA), which did not exist in 2006, but by 2013 61.6% of the adult population was using them. These are essentially money transfer services and cannot really be compared to banks, SACCOs, MFOs or informal groups, because they do not provide savings services or loans (Johnson and Arnold 2012)

The use of informal groups, namely, ROSCAs and ASCAs, increased between 2006 and 2009 despite the growth in other financial services, but then fell in 2013 to 21.4% and 5.8%, respectively. However, Johnson (personal communication) argues that the reduction of informal groups might in reality be smaller than what the numbers indicate, because the data were collected towards the end of 2012, which is a time of the year when many ROSCAs have finished operating only starting again in the following February. Whatever the case, the figures suggest that informal groups remain very popular. It could be assumed that the growing rate of bank use is undermining the use of these groups, but according to the latest statistics there currently still as many people using them as there are with bank accounts. Borrowing from local shops dramatically declined from 24.3% in 2009 to 5.6% in 2013, which could reflect the increased use of mobile money and increased access to formal banking services. In addition, borrowing from family and friends fell from 17.5% to 11.0% between 2009 and 2013, which can be also be attributed to increased use of mobile money transfer services, for this means there is less reliance for direct support from kith and kin. That is, people are still borrowing from family and friends but now partly through mobile services. Other financial services like loans from employers, the government (if the person is employed by the government) or from informal moneylenders were rarely resorted to during the focal time period (FinAccess 2013).

Figure 4.1. Use of banks by region



Source: FinAccess 2013.

4.2.2 Socioeconomic characteristics of informal group users

In order to obtain a deeper understanding of the data I conducted out an analytical study of the FinAccess 2009 dataset on informal groups (Malkamäki 2011) and in this as well as in the two following subsection the findings are reported.²⁰ For the analysis, cross-tabulations are to study the percentage of the population using a particular service. Regression techniques were also used to identify which socioeconomic characteristics are most associated with access to services.²¹ Informal financial groups consist of ROSCAs, ASCAs and Welfare groups, but the discussion is focused on the two former types as they intermediate funds. That is, because welfare groups do not do so and instead, provide financial support for group members and their next of kin in the case of illness, death and other emergencies, they are beyond the scope of the thesis.

²⁰ Similar analysis from the 2013 dataset is not yet available

²¹ Regressions in my paper were undertaken for the Johnson and Arnold (2012) paper by Arnold so there were two outputs from the same analysis.

As table 4.2 shows, 21.4 % of adult Kenyans were members of ROSCAs and 5.8% participated in ASCAs in 2013. It is notable that the share of ROSCA users has been substantially reduced since 2009, when 31.7% of the population used them. Women have traditionally been the dominant users of informal groups and in 2006 36.0% were members of one or several ROSCAs, which dropped to around 28% in 2013. By contrast, only 14.8% of men belonged to these groups in 2009, which remained approximately the same up until 2013. Historically, ROSCAs used to be a rural phenomenon, but nowadays they are popular both in rural and urban areas, thus indicating that they not only thrive on the intimacy of village identity but also the urban setting.

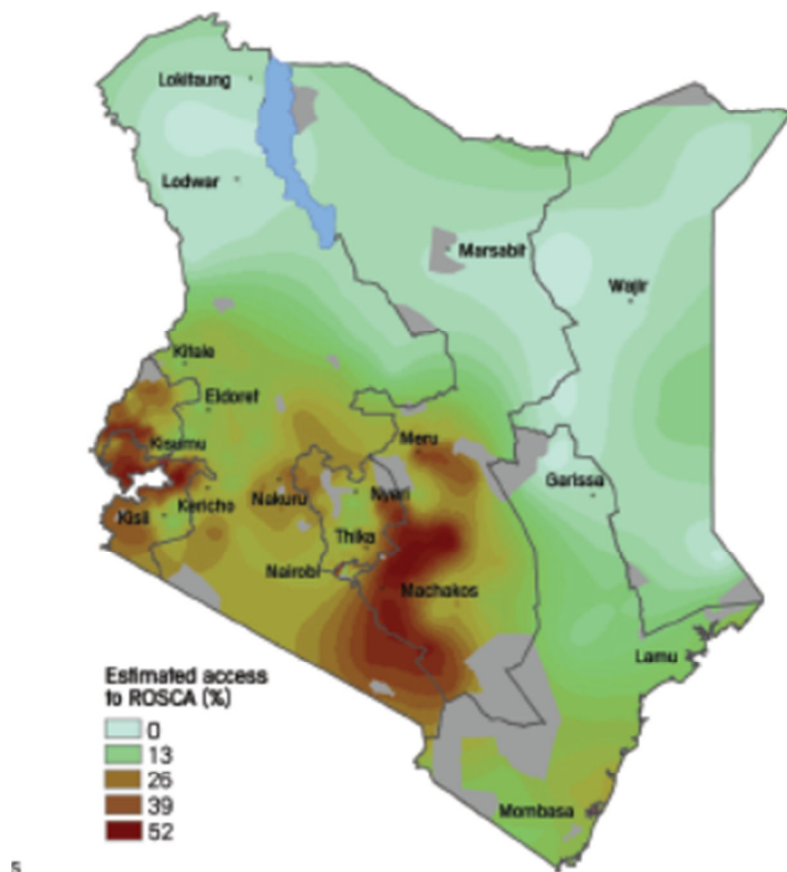
Table 4.2. Informal group and formal financial service use in Kenya

Financial service % of adult pop (weighted)	FinAccess 2006 (n=4418)	FinAccess 2009 (n=6343)	FinAccess 2013 (n=5849)
ROSCA	29.3	31.7	21.4
Women	36.0	39.6	27.9
Men	22.2	14.8	14.5
Rural	30.4	31.4	21.0
Urban	26.2	32.7	22.1
ASCA	5.7	7.8	5.8
Women	5.9	8.2	7.2
Men	4.9	3.9	4.4
Rural	6.1	8	5.5
Urban	3.2	7.7	6.6

Source: FinAccess surveys 2006, 2009 and 2013.

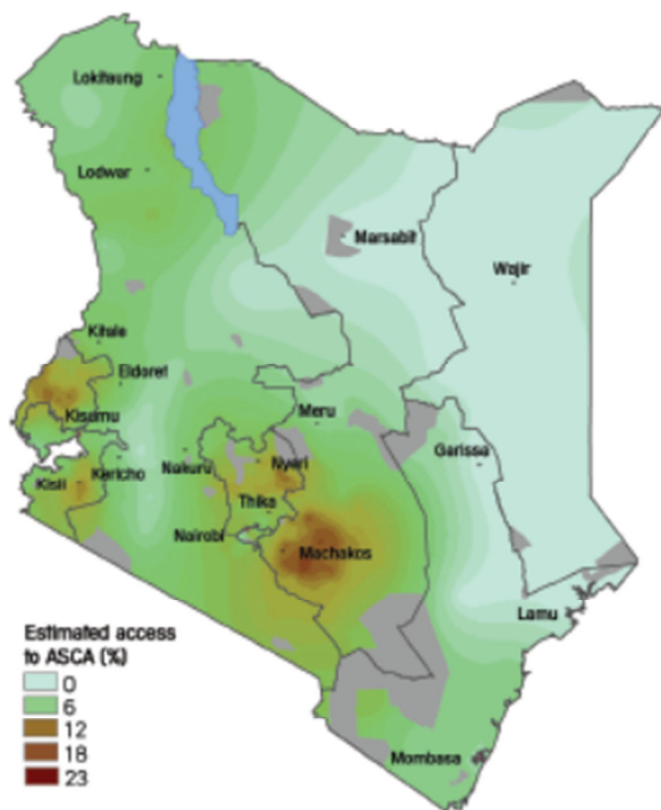
Table 4.2 also reports that in 2006 ASCAs were twice as popular in rural areas than in urban areas, but over the years their usage in urban areas has increased and in fact, in 2013 they were somewhat more popular in urban areas. Moreover, women also use ASCAs more frequently than men. Figures 4.2 and 4.3 below illustrate maps from a report that used 2009 data to produce a regional perspective on the density of ROSCA and ASCA usage, showing that high density areas are in Central , Eastern and Nyanza (Johnson and Fouillet 2011).

Figure 4.2 Estimated ROSCA use in 2009



Source: Johnson and Fouillet (2011)

Figure 4.3. Estimated ASCA use in 2009



Source: Johnson and Fouillet (2011)

Table 4.3 reports the percentage in each sub-groups that are using ROSCA or ASCA service. Hence, instead of analysing what proportion of ROSCA users are female or male (e.g. 70% and 30% respectively) the table looks at the proportion of women that are ROSCA users (39.6%) compared to men (14.8%). This approach enables us to see the overall access in relation to each sub-category. The table highlights that the highest proportions of people using ROSCAs are in Eastern, Central, Nyanza, Nairobi and Western provinces, with roughly one third of the adult population in these five provinces being members. The highest use of ASCAs is in the Western region, followed by Nyanza, Central and Nairobi. In addition, Nyanza is one of the regions where both ROSCAs and ASCAs are popular and provide financial inclusion in place of the banks (Malkamäki 2011). It is commonly assumed that because ROSCAs and ASCAs are informal services they are more likely to be used by less educated people, but the evidence suggests otherwise. In table 4.3, the proportion of the population with no formal education using ROSCAs was 18.6%, whereas that which had completed either primary or secondary education was 34.9% and 32.4%, respectively.

Table 4.3. ROSCA and ASCA membership by socioeconomic characteristics ²²²³

	ROSCA 09 N = 6,343	ASCA 09 N = 6,343
Overall	31.7	7.8
Cluster type		
Rural	31.4	8.0
Urban	32.7	7.2
Gender	***	***
Male	14.8	3.9
Female	39.6	8.2
Age	***	***
18-24	21.0	2.6
25-34	39.2	9.1
35-44	41.2	12.3
45-54	32.7	11.2
55+	25.7	7.3
Education	***	***
No formal education	18.6	3.9
Primary	34.9	7.7
Secondary+	32.4	9.4
Region	***	***
Nairobi	31.7	8.1
Central	34.6	11.7
Coast	25.6	3.1
Eastern	37.1	10.0
Nyanza	37.0	9.1
Rift Valley	28.1	3.9
Western	34.6	13.1
North Eastern	3.3	-
Frequency without enough food to eat	***	**
Often	22.9	7.1
Sometimes	30.5	7.3
Rarely	35.7	7.7
Never	33.5	8.5

*, ** and *** significance at the 0.05, 0.01 and 0.001 level, respectively. Chi-square was calculated on un-weighted data

²² This table and the following table 4.4 are sourced from Malkamäki 2011.

²³ Table reports proportion respondents within category

In order to understand the poverty status of respondents, a self-reported indicator, namely, food security, was used. That is, they were asked how often they did not have enough food to eat. In table 4.3 the proportion of people in ROSCAs who "often" do not have enough food to eat is 22.9%. The proportion of those who "never", "rarely" or "sometimes" do not have enough food to eat is 33.5%, 35.7% and 30.5%, respectively, thus indicating that the people who belong to a ROSCA are less likely to experience hunger.²⁴

²⁴ Increase in the 'often' and 'sometimes' categories for ASCAs might at least partly be related to the fact that several organisations are training ASCA groups in remote rural areas with Village Savings and Loan Association i.e. with SG methods.

Table 4.4. Regression analysis – ROSCA and ASCA 2009²⁵

Variable	ROSCA	ASCA
Location		
Rural	-0.006	0.010
Urban	---	---
Gender		
Men	---	---
Women	0.225 ***	0.042 ***
Education		
No formal education	---	---
Primary	0.106 ***	0.031 **
Secondary+	0.081 ***	0.049 ***
Expenditure	0.004***	0.024***
Main source of income/money		
Sell produce from farm, livestock & fishing	---	---
Pension/transfer from family or friend	-0.123 ***	-0.031 ***
Employed on people's farm full time/seasonal	-0.084 ***	0.031 **
Employed on domestic chores	-0.055	-0.012
Government	-0.068 *	0.004
Private sector	0.003	0.015
Running own business	0.066 ***	0.031 ***
Sub-letting / earning from investment etc.	-0.113 **	0.007
Dwelling general condition		
Permanent	-0.101 ***	0.046 **
Semi-permanent	-0.059 **	0.035 *
Temporary	---	---
Traditional	-0.077 **	-0.008
Household assets		
Radio	0.036 **	0.008
Television	0.020	0.016 *
Bicycle	0.063 ***	0.017 **
Car	-0.118 ***	-0.024 *
Mobile phone usage		
Use own mobile phone	0.145 ***	0.078 ***
Use somebody else's mobile phone	0.083 ***	0.052 ***
Do not use at all	---	---
Number of obs.	6315	5984
Pseudo R2	0.135	0.079

*** p< 0.01; ** p<0.05 * p<0.1

Table 4.4 reports probit regression results. Probit regressions were used to assess the association of socio-economic, demographic and geographic factors with the likelihood of being a member in ROSCA and/or ASCA groups. The regression results were converted into marginal effects, which show the probability of a person with a certain characteristic (e.g. female) being a

²⁵ Base categories for categorical variables to which the other categories are compared in table 4.4 are the following: Urban, Male, No education, Province – Nairobi, Income – sale of own produce from farming and fishing, Housing – temporary and Do not use mobile phone at all.

member in a group compared to the missing category (in this case male). Hence, for example the marginal effect coefficient of 0.225 for the variable female in the ROSCA regression indicates that women are 22.5% more likely to be in ROSCAs than men.

In line with table 4.3, also table 4.4. shows that having completed either primary and secondary education significantly increases the probability that the person belongs to a ROSCA. Similarly, having had an education are significantly more likely to use ASCAs than those go without.

Table 4.4. also shows that the expenditure of respondents was also significantly associated with increased probability of ASCA use (Malkamäki 2011). The evidence on food security (in table 4.3.) and on expenditure demonstrates that most people participating in ROSCAs and ASCAs are not those whose sources of income are most uncertain and vulnerable.

Another factor that is significantly associated with the use of ROSCA and ASCA services is users' reported main source of income for most elements. Table 4.4 indicates how those depending on pensions and transfers, those employed on people's farms full time or seasonally and those subletting land or rooms are significantly less likely (at the 1% level) to use ROSCAs than those whose main income was from farming. On the other hand, those running their own businesses are significantly more likely to use this service than those who reported that their main income source was farming. With respect to ASCAs, those depending on pensions and transfers are significantly less likely to participate, whilst those employed on people's farms and those with their own businesses are significantly more likely to use them (Malkamäki 2011). Thus, it transpires that particular income sources decrease or increase the likelihood of being in both ROSCAs and ASCAs: being a pensioner or a recipient of transfers leads to lower engagement, whereas running your own business leads to higher participation. However, interestingly, being employed on someone's farm full time or seasonally decreases significantly the likelihood to be in a ROSCA, whereas it significantly increases that of being in an ASCA. The findings on the main income sources seem to confirm that people whose sources of income are more insecure and vulnerable, such as those dependant on money transfers (pensioners, students and very poor people), are less likely to use these groups, whereas business people who need to manage their income are more likely to participate.

Compared to the base case of temporary dwelling, living in a permanent, semi-permanent or traditional house is significantly associated with a reduced probability of ROSCA use. On the other hand, living in a permanent or semi-permanent dwelling significantly increases the

probability of ASCA use (Malkamäki 2011). This higher probability in these types of dwellings again indicates that it is not the poorest that use ASCAs. The ownership of radios and bicycles is significantly associated with increased probability of ROSCA use, whereas having a car is significantly related to a reduced probability of ROSCA use. The ownership of a car also slightly lessens the probability of ASCA use. This again indicates that whilst the majority of group users are not very poor, they do not come from the top of the distribution since they tend not to own a car. The influence of mobile phone ownership or access to someone else's is significantly associated with an increased probability of membership of both types of groups. Those who do not own a mobile phone and do not have access to one are significantly less likely to belong to either type of savings scheme.

4.2.3 Joining groups: motivations and problems

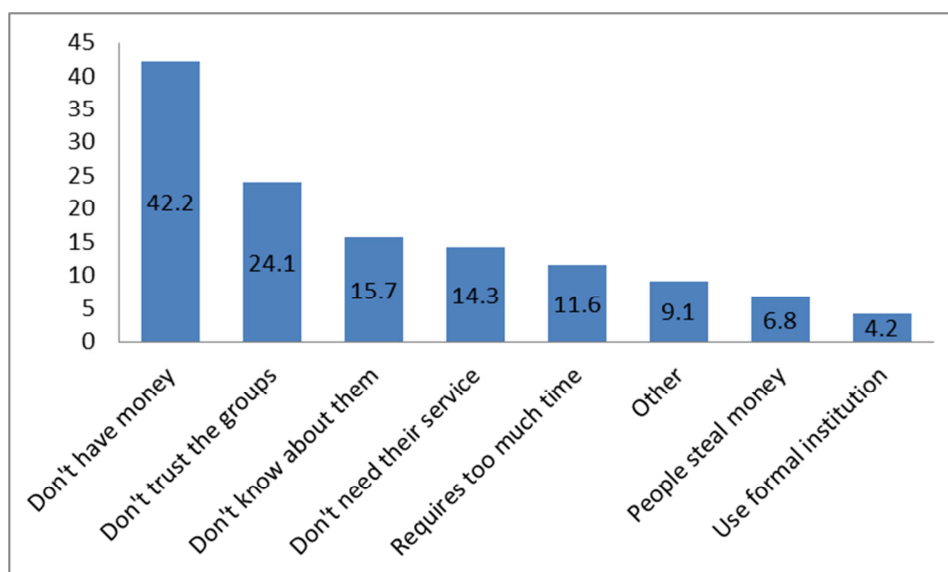
When asked to respond to statements about their reasons for belonging to these groups, by far the highest proportion agreed with "they cannot save alone and that they get strength to save from sitting with others". The second most important reason was that "you can't save at home because money gets used for other things". These findings support Gugerty's (2007) from Western Kenya, who also elicited that the main reason why individuals join ROSCAs is for self-control purposes in order to save. The third most important reason is to acquire certain items, which is more important for women. This is in line with work by Besley, Coate, and Loury (1993), who found that members join ROSCAs because they wish to buy an indivisible durable good. According to this perspective, the advantage of saving together is that everybody except the last person will have received their lump sum quicker than if they were saving on their own (see chapter 2 for an explanation).

Anderson and Baland (2002) have put forward another reason why people, especially women, join groups, that of household conflict. Specifically, based on data from Kibera in Nairobi, they show that men prefer immediate consumption to saving. However, even if the husband prefers consumption, he will not force the wife to withdraw from a ROSCA, because they are both aware of the social sanctions that would ensue for the household if the wife withdraws. When the wife has received her pot (the lump sum from the ROSCA) the husband is usually willing to allow her to purchase the goods towards which she has been saving, if she has enough bargaining power within the household. However, the FinAccess 2009 data do not support the findings of Anderson and Baland. That is, they show that only 1% of female ROSCA members

and 2% of female ASCA group members reported that they were in groups because they thought the husband would otherwise use the money. Notably, in the case of ROSCAs, the share of men being worried that their wives would use the money if not invested in the groups was higher than vice versa (Malkamaki 2011).

Those respondents who did not belong to any group were asked why this was the case. Figure 4.4 shows that 24.1% reported they do not trust the groups and a further 6.8% responded that because other group members steal money they do not want to join. However, the most important reason for not joining groups (42% of respondents) was that they do not have spare money. For 15.7%, the reason for not joining a group was that they do not know about them and significantly more men than women reported this to be so. 14.3% claimed that they do not need the service. 11.6% said it took too much time and 4.2% of the respondents reported that they do not belong to groups because they have an account with a bank or another financial institution.

Figure 4.4. Reasons for not belonging to any group



Source: FinAccess 2009.

As figure 4.4 indicates, many do not trust the groups and are afraid of losing their savings if they join. The FinAccess (2009) survey also asked respondents whether they had lost savings in informal groups and if so, whether this was during the last 12 months. Of the ROSCA members, 12.7% reported this to be the case, of whom 60% said this was during the last year. Of the ASCA members, 18.8% had lost savings with 62.8% reporting that this had happened during the last

year. This therefore suggests that savings in ASCAs are more vulnerable to loss than those in ROSCAs (Malkamaki 2011). The higher likelihood of losing money in indigenous ASCAs might be attributed to the fact that these arrangements do not have a natural breaking point where all the funds are distributed to the members. This section has so far reviewed the orientations of users towards ROSCAs and ASCAs; in the next subsection characteristics of groups will be discussed.

4.2.4 Group characteristics

Table 4.5 reports that ASCAs tend to have more member than ROSCAs as both the mean and median figures for the former are higher. These statistics are preferred to the mean, because this is skewed by there being a small number of particularly large groups. Disaggregating group size by gender shows that ASCAs to which women belong were somewhat larger than such groups where men were members. This could suggest that women trust each other more and have better means than men to deal with possible problems, thus being able to accommodate more members.

Table 4.5. Group size by gender (number of members in a group)

N=3509	All		Male		Female	
	Mean	Median	Mean	Median	Mean	Median
ROSCA	22	15	19	15	21	15
ASCA	30	20	23	14	30	20

In table 4.6, both mean and median figures for the longevity of ASCAs are somewhat higher than for ROSCAs. Similarly, the respondents have been members slightly longer in the former as compared to the latter. While the groups in Nyanza tend to follow the national average in terms of duration, those in Central and Eastern exist for somewhat longer (Malkamäki 2011). As discussed above, one reason why ASCAs have a longer life and members stay longer in them might be because they do not have the natural breaking point that ROSCAs do. That is, ROSCAs break up at the end of each cycle and if members are not happy with the performance it will not restart or might after some of the more problematic members have been left out. However, it could be the case that ASCA members would like to leave weakly performing groups, but have to stay because they have money in the group that they cannot get out.

Table 4.6. Longevity of group and duration of membership

N=3,509	Longevity of group (years)		Duration of membership (years)	
	Mean	Median	Mean	Median
ROSCA	3.8	2	2.8	2
ASCA	4.4	3	3.7	2

Respondents were also asked about their contributions to the informal groups and table 4.7 indicates that ROSCAs receive larger average contributions than ASCAs. Considering that in 2009 estimated household expenditure per adult equivalent per month was Kshs2,270 in rural areas (Kenya National Bureau of Statistics and Society for International Development 2013), as can be seen, the average ROSCA and ASCA monthly savings were quite high, which emphasises the fact that these schemes were not only used by the poor but by all income groups including the wealthy. Analysing the contributions by gender, the data show that women's mean contributions to both ROSCAs and ASCAs are significantly higher than men's. This is counterintuitive especially in the case of ASCAs, because men, who are more likely to save in these as compared to ROSCAs save considerably less than woman even though they usually earn more. It could be that women have better established groups and hence are willing to save more in them.

Table 4.7. Contributions to informal groups (mean and median) in Kshs per month

N=3,509	Mean	Median	Mean Male	Mean Female	T-test Male/Female
ROSCA	758	400	748	777	***
ASCA	619	300	435	658	***

To conclude on the FinAccess survey findings, overall, the popularity of informal financial groups seems to be high, especially among women. Both types of groups are more popular in Nyanza than the national average. Moreover, while historically their use originated in rural areas, these financial groups are now popular in urban areas as well. The data has also demonstrated that the groups are not used by the poorest, but rather, by the more educated and business people who need to manage their funds. The popularity of these groups is, however, paralleled by fairly high levels of risk. Almost 20% of the ASCA users had lost funds in the groups and one quarter of non-members said that they did not trust them. The relatively high share of members who had lost money in the groups, lack of trust and wide variation in governance raises the question of what are the causal factors underlying these problems in groups? This is addressed in the next section.

4.3. The impact of social relations on groups

This section discusses social relations and their relationship to group performance. In the literature review in chapter Two it was concluded that any discussion on group dynamics and rule following needs to recognise that rules and norms are embedded in the underpinning dimensions of social relations, such as class (wealth), gender, kinship and age and in power relations that are linked to these. Bouman (1995) reports on the dynamics of groups in Nigeria where ROSCAs failed because the power was concentrated in the hands of too few leaders, in particular old men, who misappropriated the funds. In addition to power relations, Bouman also highlights that age can be another determining factor regarding how groups play out. This author found that as long as old men were in power, the fraudulent practices continued, but these were reduced when young men were elected as office holders (Bouman 1995).

Dagnelie and LeMay-Boucher (2008) found that in Benin one quarter of the ROSCA groups collapsed before the end of the cycle. The main reasons for this were irregular as well as late contributions to the pot and that members who had received their lump sum left the group without contributing until the end. The study also found out that if the power in the group was held by the chairperson alone, it was more likely to fail compared to groups where the power was more equally distributed between the office holders.

Burman and Lambert (1995) discovered that men default more often in ROSCAs in South Africa due to the dynamics of gender relations. That is, men are more likely to migrate and leave the debts unserviced than women. Ardener (1995) lists several aspects that are particular to women's participation in ROSCAs across several countries. First, they use the social sanction of shame to enforce repayment and hence, rules are more likely to be followed. Second, women also value the network and mutual support that groups offer in addition the economic functions of ROSCAs. Third, women prefer groups where there are only female members. These social features also strengthen the groups, ensuring that performance is good and that rules are followed.

Johnson's (2004a) analysis of ROSCAs in Kenya found two reasons for their greater popularity among women. First, the social sanction of shame to ensure repayment works better with women than with men. Second, women have less money and save smaller amounts for less expensive household items or clothes, whereas men are responsible for bigger items like farm inputs that require larger funds. Moreover, because every member contributes the same amount of money to ROSCAs they are of limited use for men. Also, farm inputs and school fees

that men are usually responsible are needed at a certain time of the year, but only a few members of the ROSCAs can get their lump sum as required. Gender can also be a source of power in the groups (Johnson 2004a). In a study from Kenya, Johnson and Sharma (2007) report on an in-depth follow-up of nine groups, finding seven cases of default, six of which involved men and only one a woman. Over two thirds of the membership in these groups were women and hence, even though the sample was small, the findings indicate that men are more likely to be involved in default cases.

Gender relations can often explain misappropriation cases and the same study by Johnson and Sharma also identified five cases where the group funds had been misappropriated. In all these cases office holders were responsible for the misappropriation, with three being men and two women. When these cases were discovered, the two women were asked to repay the money and were at the same time removed from office. However, the groups dealt with the men differently. One man was allowed to stay on as a group leader, because the group wanted him to pay before they removed him. The second was only accused of misappropriation after he had already left his position and in the third case new elections were first held for the office holders through which the third man was removed from the office. As with the second case, it was only after he was no longer an officer that the misappropriation was raised with him. These cases illustrate the importance of gender relations in the sense that men were able to use their higher social status to better evade the responsibility and punishments (Johnson and Sharma 2007).

Kinship is another factor, whereby it can lead to people joining these groups in order to protect resources from other family members. On the other hand, when people are in the groups with their kin this can cause problems. Ambecy and Treich (2004) show how wealthy members of the community handle the social pressures from kin and friends through groups. They demonstrate that in economies where there are strong norms to redistribute wealth, wealthy individuals use ROSCAs as a socially acceptable way for protecting their wealth. Platteau (2000) has made the same argument, noting that “[ROSCAs] provide a socially accepted alibi to protect people’s saving against all sorts of social pressures” (Platteau 2000, 231)

Kinship ties and friendships can also impact on group performance, especially when default and misappropriation cases have to be dealt with, for often groups find it difficult to enforce sanctions against those close to them. Bähre (2002) reports on groups in South Africa that do

not allow close kin in these groups, but in many cases this is not possible, because friends and relatives want to be included.

In their study on Kenya, Johnson and Sharma (2007) revealed that members claimed that in default cases the group will visit the defaulter's homestead and if the member is not willing to repay, assets will be taken. However, the study could not identify any actual cases where the group took this action and instead, as long as the members with late loans expressed their willingness to pay they were given time to do so. Similarly, Nelson (1995) reports from a group in Kiambu, Kenya where many members were late with their loans, but since they did not want to willingly default, they were given time and 23 group members "negotiated temporary default", whereby they were allowed and expected to repay at a later date (Nelson 1995, 62). Johnson (2004b) uses the term "negotiability" when discussing this type of flexibility in informal groups. She argues that social relations enable the renegotiation of the loans and that the ability to renegotiate the contract with the groups is one of the key reasons why people are more willing to join informal financial groups than other more formal financial institutions. For, the possibility of negotiating makes it less risky to take a loan. In Kenya, where the incomes for the poor are uncertain and fluctuating, the ability to negotiate the conditions of a loan is an additional benefit. However, Johnson adds that even if "negotiability" makes these groups attractive, it also makes the groups vulnerable: the more powerful members of the groups can negotiate terms that only benefit them, but not the poorer and less influential members of the group (Johnson 2004b).

This section has shown how the impact of the underpinning dimensions of social (class, gender, age and kinship) and power relations impact on the performance of groups as well as why negotiability is an important feature in these groups. However, negotiability also often means that the more powerful members of the groups have more options for setting up deals that benefit them more than the poorer members. The importance of social relations and power is not important only at the micro-level: the same dynamics influence the politics and economy at every level. Before considering how social and power relations at a wider political economy level impact on how the rules are followed in section 4.4, the livelihoods and history of groups in the focal areas are discussed.

4.4 Livelihoods and history of groups in Nyamira and Rachuonyo

4.4.1 Livelihoods and poverty in Nyamira and Rachuonyo

The sample of savings groups for this study was collected from the Nyamira and Rachuonyo districts that are both located in southern Nyanza. The Nyamira district is mainly populated by the Kisii (also Gusii) ethnic group who speak the Kisii language., and Rachuonyo district is populated predominantly by the Luo ethnic group who speak Luo.²⁶ The Kisiis live in the hilly and mountainous part of Southern Nyanza where the soils are mostly fertile and receive an ample reliable amount of rainfall, ranging between 1200mm and 2100mm annually. This and moderate temperatures have enabled Nyamira to become an important grower of the following cash crops: tea, sugar cane, bananas, pineapples and pyrethrum as well as to a lesser extent coffee (Nyamira County 2013). Coffee used to be the most important cash crop in the district but currently the main one is tea. The population density in Nyamira is among the highest in the whole Kenya, which according to the Nyamira County website now stands at 665 persons per square kilometre (Nyamira County Government). The increasing population density has meant that the size of farms has been getting smaller. In 1956 the mean size of a farm was 2.8 hectares per homestead (LeVine and LeVine 1966, 16) and by the late 1980s this had fallen to less than one hectare (Raikes 1989). Because farm sizes are small and declining, households receive their incomes from many sources. Nevertheless, the Nyamira County Strategic Plan estimates that agriculture provides employment for 80% of the population. (Nyamira County 2013)

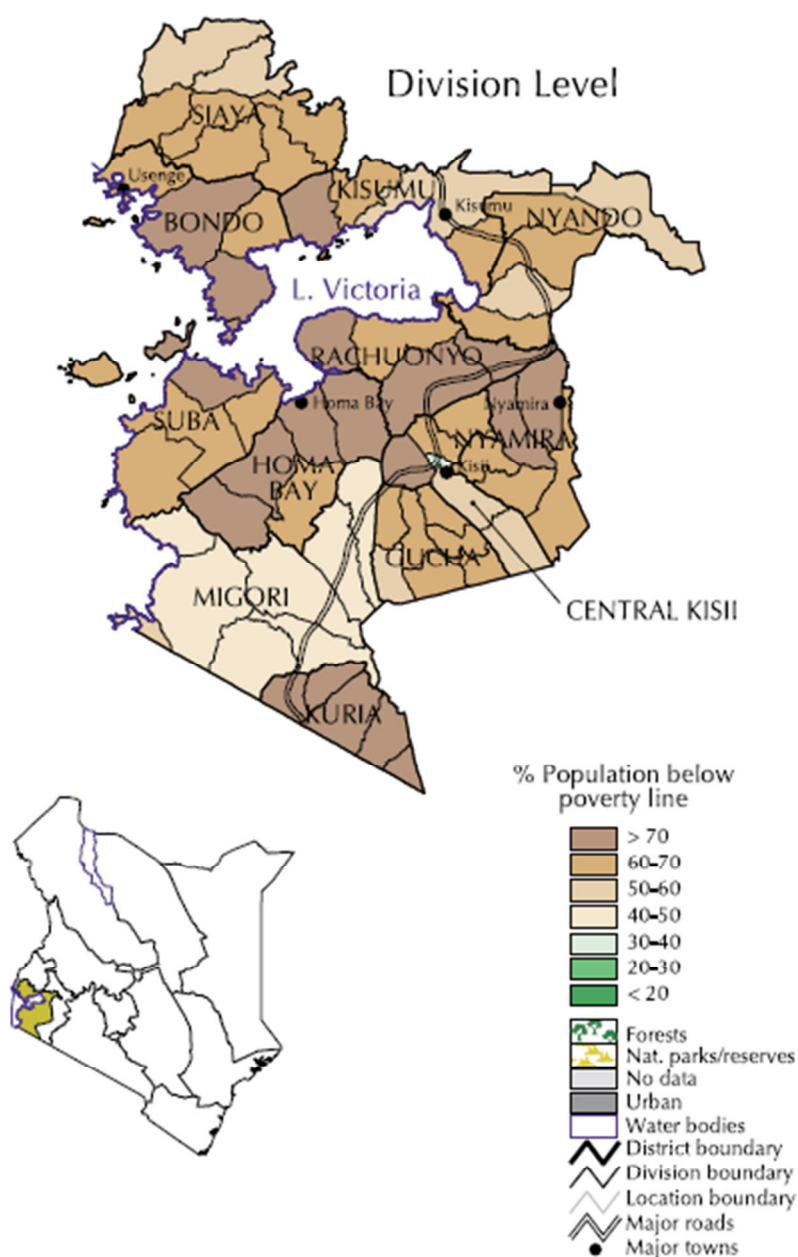
Population density in Rachuonyo is higher than in many of the other parts of Kenya, but lower than in the Nyamira. The Homa-Bay County Strategic Plan (2013) estimates that the average population density per square kilometre in the county is around 300 persons, with the average farm size being between 1.0 and 1.5 hectares (Climate Adaptation to Climate Change and Insurance 2013). The annual rainfall in Rachuonyo is between 500mm and 1000mm, substantially lower than in Nyamira, which means that the cash crops cultivated in the latter district cannot be cultivated in the Rachuonyo. The most important food crops in this district are maize, sorghum, Irish and sweet potatoes, ground nuts and legumes (Homa-Bay County 2013, own observation).

²⁶ Due to the devolution process Nyamira district was in 2013 transformed to Nyamira County. Rachuonyo district became part of Homa Bay County.

With the high population densities in the two focal districts, especially in Nyamira, women's ability to produce food for the family became more difficult from the 1940s onwards. Cash crop production (where the money was controlled by men) increased and there was less space for food production, which meant the women needed to established microenterprises in order to increase their incomes (Raikes 1989; Silbersmith 2001). The figure 4.5. shows the poverty incidence, i.e. percentage of population falling below the poverty line for Nyanza province in 1997, including the Nyamira and Rachuonyo districts.²⁷ As table 4.8 shows, regarding the two focal districts, in Nyamira it was 69% and in Rachuonyo 71% in 2003 (Central Bureau of Statistics 2003).

²⁷ This poverty line was estimated at the cost of consuming 2,250 calories per adult equivalent per day as well as the costs of non-food expenditure.

Figure 4.5. Nyanza Province poverty incidence: percent population below the rural poverty line



Source: The Central Bureau of Statistics (2003)

Further, table 4.8 indicates that between 1997 and 2005/06 the percentage of the population below the poverty line in Kenya fell slightly from 52.9% to 49.1%. In Nyanza, the reduction in poverty was more substantial: from 63.1% to 47.2%. Similarly, the percentage of those below poverty line in Nyamira and Rachuonyo had in 2005/06 been reduced to 47.2% and 40.4%, respectively. Hence, the estimated rural poverty in Nyamira was very close to both Nyanza and the national mean.

Table 4.8. Rural poverty over time (%)

	1997	2005/06
National rural poverty	52.9%	49.1%
Nyanza	63.1%	47.6%
Nyamira	69%	47.2%
Rachuonyo	71%	40.4%

Source: Central Bureau of Statistics (2003); Kenya National Bureau of Statistics (2007)

4.4.2. History of groups in Nyanza

The origins of Rotating and Accumulating Savings and Credit Associations (ROSCAs and ASCAs) lie in the operations of labour exchange groups with there being some evidence that the latter were developed through the experience of SACCOs (Malkamaki 2010). In the colonial era and up to 1980s labour exchange in work groups was fairly common both among Kisiis and Luos. During their fieldwork in the mid-1950s LeVine and LeVine (1966) found such work groups in Kisii for both women and men.

“Women of neighbouring homesteads organize themselves into cooperative groups for the performance of routine agricultural activities. This type of group is called *egesangio*, which literally means “an equally shared thing” and a strict equality is its dominant theme. In hoeing corn, for example, the group spends a morning in the field of each of its members and then begins the round again. Each woman in the group keeps strict account of the amount of time spent in the fields of others and is jealous of any inequalities. When the work group weeds *eleusine* (finger millet) the strip of field each woman is required to weed is measured with a rope, and arguments often develop over whether or not a woman has done her full share” (LeVines 1966, 15).

While doing his fieldwork in the 1980s, Shipton (2007) also found labour exchange groups among the Luos, but he also elicited that the popularity of these work groups, called *rika*, had declined. The researcher also found a “modern” variety of *rika*, called *shirika*.

“People who might once have organized weeding and other labour-intensive tasks on a kin basis have lately often turned to a church-members basis instead – especially women who after marriage usually live among their husbands’ natal

kin rather than their own. As the foreign (Swahili) term suggests, Luo consider the *shirika* a more recent and 'modern' kind of group, whatever its real age, probably older. Single sexed or mixed, a *shirika* group commonly meets once weekly" (Shipton 2007, 109).

Raikes found that communal working-groups (*ebiombe*) in Kisii were the basis of the savings groups that he studied in the mid-1980s (Raikes 1989), with the owner of the farm paying the group at the end of the work-party. The author reports that some of the money was shared immediately, whereas part stayed in the fund and was invested in durable assets, such as a maize-mill or piece of land. While the group waited for the fund to grow big enough to be able to buy whatever they had agreed upon, it loaned the money with interest to its members and also at a higher fee to non-members. In other groups, employed women contributed to a fund who could then borrow from it to run their businesses (Raikes 1989, 48). This means that in addition to being work groups, many of these were also ASCAs since they involved borrowing and repayment with interest.

Raikes reports that the most common interest rate mentioned was 10% for a month's loan and if members had it for longer more interest was not always charged (Raikes 1989, 49). He adds that in some cases the interest was not charged, because the person was unable to pay. Default cases were rare, because the people knew each other, being from the same location and hence, it was easy to pressurise defaulters. Raikes did find cases of fraud, where leaders took group funds, were more common than cases of default.

In an earlier study of groups in this area, I also found that several indigenous ASCA groups in Kisii had started with joint projects, cultivating each other's farms, or investing jointly in banana or sugarcane farming and after working together for a while they had added financial functions to the group activities. Members of the Itongo group in Kisii said that they had started as a work group in 1976, where they assisted each other in cultivating and weeding each other's farms. At this time, each person earned Ksh 1 for working one day, but they were not paid this money directly and instead the money was lent to certain group members on an interest free basis as required. They introduced a 1% interest per year in 1978 when members did not repay on time, which was increased to 5% in 1983 and then to 10% in 1993. The members indicated that the idea to set-up an independent ASCA came from SACCOs that had been set-up in the region in the mid-1970s. Another ASCA that was interviewed had also started as a work group in the 1980s helping each other and instead of distributing the funds after each work-party (communal

working-group), they started lending the funds to the members that needed a loan (Malkamaki 2010).

Hence, lending with interest in informal ASCAs was occurring amongst the Kisii people already in the 1970s and 1980s. Shipton (2007) claims that ASCAs existed amongst the Luos in the 1980s, but does not provide more detailed evidence. During this research we also came across indigenous terminating ASCAs in Nyamira, but not in Rachuonyo. In some of these, members saved monthly, but in others they just saved once at the beginning of the cycle. In some groups members paid “registration fees” of around Kshs 200 each cycle. As the subsequent chapters show, one of the SG delivery channels also introduced such “registration fees” as a service charge. Further, in the indigenous ASCAs members were able to stay with the loans for as many months as they wished, as long as they paid the interest. However, in contrast to the SGs the local ASCAs were less transparent than the SGs. In some, the members did not meet as a group, but visited the leaders houses on a fixed time one by one in order to save, repay and request new loans. This meant the members did not know who was saving and whether other members repaid. Members also complained that the profit sharing was not done in transparent way, because only the leaders were present during the profit sharing (Indigenous ASCA interviews 1, 2 and 3).

These examples demonstrate that informal groups have provided financial and other services for many years prior to the project that promoted savings groups in the area. This evidence also implies the savings groups have been operating in the context of pre-existing social norms, patterns of social relations and institutional dynamics. In the following section, the bigger picture of the Kenyan political economy is presented for the reasons given in the brief introduction.

4.5. Political economy and patronage

This section discusses the wider political economy of Kenya in order to provide a broader context and perspective on the role of rules in the society, and how social and power relations as well as the patronage operate. There exists a wide literature on patronage and clientelism in Africa. Bayard (1993) describes African politics as “*the politics of the belly*”, where the central driving force of politics is to “eat”, i.e. to acquire material benefits through the powers that one has (Bayart 1993, xvii). This means that “the struggle for power is chiefly a struggle for wealth”

(Bayart 1993, 89). He argues that in order to hold political office which enables accumulating wealth requires among others building and cultivating patronage networks (Bayart 1993).

Bayart (1993) claims that the Western dichotomy between the state and civil society i.e. between politics and economic activities is not helpful to understand African political economy. Neither is the Weberian dichotomy between legal-rational vs. personalized politics helpful. Dominant actors in Africa are not either in the political or in the economic sphere, they according to Bayart are in both spheres. In the political sphere they are promoting their economic interests and at the same time they economic activities and wealth to strengthen their political power. Further, Bayart claims that the logic in the survival strategies of ordinary citizens is similar to those of the elite. It is not only the elite, but also ordinary African that use patronage networks.

However, the “politics of the belly” is not just about private wealth accumulation. To be an African “big man” and also a man of honor, the leaders need not only accumulate wealth, but must also redistribute it to their clients. A leader that does not redistribute his wealth will lose his honor, followers and influence (Bayart 1993).

In line with Bayart, Chabal and Daloz (1999) note that Western concepts are not of much help when trying to understand the political economy of Africa. According to them the African state is not only weak but “an empty shell” (Chabal & Daloz 1999, 24) and that in order to understand African political economy “the myriad networks which link the various levels of power from top to bottom” need to be studied (Chabal & Daloz 1999, 2).

Like Bayart and Chabal and Daloz, Olivier de Sardan (2008) notes that the existence of patronage systems (and clientelist systems) in Africa is indisputable. He suggests that “there exists a *system for the management of public affairs, delivery of public services and interactions between government officials and citizens* – in other words, *a mode of governance* – which takes place, as we all know, in the world of informal deals, enrichment, embezzlement, cronyism and network. (emphasis in original)” .” (Olivier de Sardan 2008, 6) However, he is of the view that often these terms “provide a means of saving effort on empirical analysis of the realities to which they refer.” (Olivier de Sardan 2008, 6 Researching the practical norms of real governance in Africa). In the next section I focus on the work of Sarah Berry who has sought to explain the historical origins of these political economy dynamics in the legacies of colonialism specifically

relating the analysis to Kenya amongst other African cases, before then considering specific literature relating to patronage and politics in Kenya.

4.5.1 The origins and dynamics of resource access and power

Berry (1993), writing on agrarian change in Africa after drawing on studies relating to Ghana, Nigeria, Zambia and Kenya emphasises the importance of social relations and wealth rather than merely considering market relations in the context of gaining access to productive resources. According to her, during the time before colonialism access to productive resources was through a “social unit”, such as an ethnic group, kinship or community. However, access to the resources did not necessarily mean full control of them. For example, the leaders of the community could reallocate land, heads of households had to work towards increasing their status through using their wealth in strategic ways. As Berry (1989) notes:

“Cattle, grain, gold or other commodities could be used to acquire control over wives, marriage wards, slaves or clients and their dependents. Succession to offices and titles was usually open to competition among a number of eligible individuals. Success in competing for office depended on the size and dedication of one's following, which could, in turn, be increased through strategic acts of generosity or patronage” (Berry 1989, 43).

In other words, Berry argues that not only wives but also clients and supporters were bought during the pre-colonial times, for supporters and clients were needed to increase the status of the patron.

Colonialism changed African societies in several ways and in particular, market relations became more important. However, Berry claims that the main channels for accessing resources remained the same, namely, social relations and accumulated wealth. She also maintains that the same channels persisted during the period after independence. Consequently, social units, ethnic groups as well as kinship and friendship ties had an impact on transforming the state into an entity that was primarily seen as a resource to be exploited by patrons and clients. Berry (1989) writes:

“As Africans took control of their own national governments, the state passed into the hands of people who already belonged to local communities and descent groups and who had often received assistance from relatives and neighbours in rising to positions of wealth or public office. Accordingly, many ordinary citizens entertained high hopes of furthering their own access to the resources of the state through the gratitude and/or patronage of their successful proteges” (Berry 1989, 44).

Berry's comment indicates that patron-client relationships were already in place before independence, but once the colonial powers had left the substantial state resources were now controlled by indigenous leaders who together with their clients had high hopes of benefitting from them. According to Berry (1993), a central feature in gaining access to resources is “negotiability”, where:

“negotiability is ... a pervasive feature of social and economic processes which calls for reconceptualization ... In rethinking African ... change we need to begin with historical and anthropological literature which represents law as social process, transactions as subject to multiple meanings and exchange as open-ended and multidimensional rather than single-stranded and definitive..... If rules, transactions and values are ambiguous and negotiable, then economic activity cannot necessarily be explained in terms of decisive choices or efforts to gain exclusive control over goods and resources. If access to resources depends on one's ability to negotiate, people may be more interested in keeping options open than cutting them off, and in strengthening their ability to participate in and influence negotiations rather than acquiring exclusive control over resources and severing connections which are not immediately profitable” (Berry 1993, 13-14).

Further Berry claims that:

“... A person's status and influence depend directly on his or her ability to mobilise a following. If access to resources depends on the influence one brings to bear in negotiations over property rights, production, or exchange, and influence is enhanced by having followers, then it is not necessarily advantageous to exclude people from social networks” (Berry 1993, 15).

Negotiability refers to the fact that people (especially powerful people) can reinterpret the rules or make new ones and then mobilise their followers around their interpretation. Hence, negotiability means that rules are not fixed, are open ended, can be contested and/or reinterpreted.

To summarise, drawing from Kenya and the other cases the essence of Berry's argument is therefore that the key means of gaining access to resources in Africa are not only from market relations, but also through social relations and power. Within this framework Berry uses the term "negotiability" to explain how the rules are continually renegotiated or reinterpreted or new rules created and that the success in these negotiations depends on the number of the supporters. The discussion in this subsection on origins and dynamics of resource access and power has concentrated on pre-colonial and colonial history. The next section moves on to the post-independence to consider how the politics and patronage evolved after independence.

4.5.2 Politics and patronage in the independence era

In the late 1980s, Haugerud (1995) undertook a study combining several disciplines to investigate politics in Embu. Specifically, the aim was to investigate farmers' socio-political economy in the region so as to explain the processes engaged in in the wider context of Kenya. In line with Bayart (1993) the author discovered that there is a "pyramid of patron-client relations" through which ordinary people are upwardly linked to assistant chiefs and chiefs, councillors, district officers, head-masters, members of parliament and finally to ministers as well as the president. At each level the patron has different resources that they can distribute in order to gain (political) support from clients (Haugerud 1995, 146). As Haugerud explains:

"To keep his pyramid of followers intact, a patron distributes personal favors (assisting in obtaining employment, commercial loans, school admission, trader or import licenses, land, and so on). In addition successful politicians must bring (or appear to bring) to their constituencies improvements such as roads, schools, health centres, and mains water" (Haugerud 1995, 46).

In Kenya, the personal favours have often been distributed through organising Harambee or self-help groups to which the local politician contributes funds during public Harambee celebrations (Haugerud 1995). Haugerud (1995) observes that rural people's chances of prospering depend not only on hard work or economic and political strategizing, but also and to

a great extent, on the nature of their relationships with the patrons. If the state lacks resources, then the patron also has fewer to distribute to the client. All patrons also need to broker²⁸ with those higher up in the pyramid as clients in order to ensure that they have enough resources to distribute (Haugerud 1995, 146).

Next I am going to briefly discuss some features of political economy since independence as a general background and also because it shows how the country has been governed through patronage (rather than through a rules based system). This discussion also shows how difficult it has been institutionally to reform the rules of the game. The aim of the new post-colonial leaders was to speed the development process as much as possible and to be able to control it. With the colonialists' departure many jobs became available in the civil service and also, the white settlers vacated large tracts of land. These changes meant that there were substantial amounts of land, labour and capital able to "manipulated" (Berry 1989, 44) through patronage by those with the political power. Poulton (2014) argues that since independence this political power in Kenya has been gained through forming coalitions of ethnic groups. These have been maintained through patronage, whereby the leaders of an ethnic group have been allowed access to state resources through nominating one or some of the regional leaders as the minister or as the head of a parastatal entity. Patrons who have access to resources will then reward their clients often in exchange for political support.

As Barkan et al. (2003) writing on Kenya have explained:

The political process ... is one of perpetual coalition building—of the formation and reformation of coalitions of local organizations that have no common interests other than the control of the state and its resources. Stated simply, the objective of politics is to control the state for the purpose of funnelling state resources back to one's supporters and local communities. Politics is local and patronage is usually king" (Barkan et al. 2003, 6; taken from Poulton 2014).

The ways in which these processes have operated over the years since independence have been widely analysed in the literature. In the immediate aftermath of independence, president Kenyatta used the resources of the state to reward his own ethnic group, the Kikuyu. One of the major means through which he did this was the allocation of settler land to them through

²⁸ Haugerud uses the verb "to broker" which she has borrowed from Scott 1985.

the Million Acre Scheme (Ogachi 1999; Branch and Cheeseman 2009). Similarly, in the post-independence process of Africanising of the civil service, Kenyatta also provided many more key posts to his ethnic community than to anybody else. According to Ogachi, for example, the Industrial and Commercial Development Corporation (ICDC) and the Kenya National Trading Corporation (KNTC) that provided credit to emerging entrepreneurs were headed by Kikuyus and also provided the major part of the credit to Kikuyu entrepreneurs (Ogachi 1999). Also Kelsall (2012) found Kenya classical case of neo-patrimonial²⁹ state under Kenyatta.

When president Moi took over from Kenyatta, he did not have the same patronage resources available that the latter had had. Kenyatta's supporters had benefitted greatly through acquiring land or employment from the government after vacation by the settlers (Mueller 2008), which was obviously not available for Moi to exploit.

“Unlike Kenyatta, who could give without taking away, Moi had to take away before he could give. Hence, the means Moi used both to consolidate support and control those opposed to him were cruder and more repressive. This entailed ‘destroy[ing] Kikuyu hegemony and dismantl[ing] the economic foundations of the Kenyatta state’ to ‘build Kalenjin privileges into the structure of the state’” (Mueller 2008, 188; the sentence in quotes in the middle of the quote from Barkan 1994).

As can be seen, Moi's approach was first to oust the Kikuyus from the key positions in the civil service and as parastatals, thus being able to replace them with loyal Kalenjins and other allies. The literature also demonstrates how he systematically taxed the Kikuyu agricultural association so as to weaken their economic base and at the same time used the state's forestry resources for patronage purposes (Mueller 2008). Part of Moi's strategy was also to extend the patronage network to all districts and constituencies (Branch 2012). Kanyinga provided evidence at the local level showing how Moi, through patronage, was trying to win votes and hence, stay in power (Kanyinga 1994).

Increased political competition before the first multiparty election in 1992 and thereafter, increased the pressures for all parties to provide more tangible benefits to voters because the

²⁹ The term ‘neo-patrimonialism’ implies that “African growth is constrained by a governance system in which national leaders or ‘big men’ secure their legitimacy by allocating lucrative but unproductive economic opportunities to their clients or cronies.” (Kelsall 2012, 677)

Kenyan electoral system, as can be seen above, was structured in a way that ensured that the "winner takes all" owing to the dictatorial powers of the president. Consequently, candidates (patrons) have to provide something for the voter (clients). Regarding which, there is a poignant Swahili proverb "an empty hand is not licked" (mkono mtupu haulambwi) (Haugerud 1995, 46), implying that voters expect 'something' and hence, that politicians with empty hands will lose. The fight for patronage resources has become much more salient during the multiparty era, because if the sitting president loses, he and his ethnic followers will also lose access to these resources. Moi started using the forests as patronage resource, both to settle his supporters on these lands and to allow illegal logging, the revenues from which were used to reward political allies (Boone 2012). One top-level Kenyan government official suggested that "if there were an election every year, there would be no forest left" (Klopp 2012, 355).

In addition to using forests as a patronage resource, Moi initiated several other schemes through which state resources were transferred to private hands. As Branch and Cheeseman note:

"...the corruption of the Moi regime impoverished the state, as millions of dollars were looted through the infamous Goldenberg scandal. However, an equally significant outcome was that institutions of oversight and accountability had to be weakened in order for the scams to remain undiscovered, or at least unreported. This meant that central budgeting measures from the Finance Ministry to the Central Bank of Kenya (CBK) were undermined. .. Greater corruption, then, created additional reasons for the executive to encourage a process of state informalization that continues to constrain anti-corruption effort" (Branch and Cheeseman 2009, 12).

The patronage politics continued also during the third president, Mwai Kibaki's, term during which there were several corruption scandals involving his ministers. The popular metaphor "it is our turn to eat" was coined to by ministers and other senior politicians under Kibaki, when justifying their requirement to have access to state resources that had previously been denied them (Wrong 2009). Eventually, this process of "eating" and corruption led to the post-election violence in early 2008, with core issue underlying this being the challenge to the centralised control of the state by the president. For at least 10 years preceding this violence, the opposition had tried, unsuccessfully, through the constitution review process to reduce the powers of the president as well as to decentralise the powers of the central government to the

regions. Eventually, a new constitution was approved in 2010, which has reduced the powers of the president and has also devolved power to 47 new counties. However, the numerous corruption cases reported both at the central and county level indicate that the “eating” will most likely continue and the negotiations around the rules too.

In this section, the wider political economy in Kenya has been discussed, in particular, the role of patronage politics. The terms negotiability and patronage politics attributed to that notion refer to the situation that, in general, commonly agreed rules are not followed. Instead, the more powerful or the patrons negotiate or manipulate to exert leadership through patronage. Nevertheless, the weaker are willing to take part in this system, because they hope to receive some small reward and/or the possibility of being able to renegotiate their contracts.

4.6 Conclusion

This chapter has provided the context for analysis of promotion of savings groups by reviewing the literature and evidence in four areas. First, an overview of informal groups based on national surveys was presented. Even though the popularity of groups during recent years has somewhat reduced, they still remain popular: there are as many people in these groups as there are bank account holders. Moreover, the findings have shown that these groups are particularly popular among women. It has also been demonstrated that most of the users were not the least educated and poorest, but rather, people with more education as well as business people that needed to manage their funds. Survey findings have indicated that group membership was a commitment device, whereby the respondents felt that they could not save independently, but got the strength to save from doing so with others. However, a quarter of the non-members did not want to join groups because they did not trust them and some had also lost funds through being members. In addition, the findings suggest that there is a higher likelihood to lose money in ASCAs as compared to ROSCAs, which could be attributed to the fact that the latter have a natural breaking point. This makes the ROSCA as an institution more transparent and accountable than ASCAs, for with the latter members might have to wait for years before they get their funds back.

In the second section, it was contended that group dynamics and especially social and power relations are key in understanding group performance. Power in the groups as well as the impact of the underlying factors regarding social relations (age, gender, wealth and kinship) on the performance of groups were reviewed. Moreover, their popularity was explained through

the concept of “negotiability”, whereby in situations where income is uncertain and fluctuating, the ability to re-negotiate contracts is deemed important for members. The third section provided a geographical and livelihood overview of Nyamira and Rachuonyo. In this section, the history of informal groups in the area was also discussed and it was demonstrated how informal groups provided financial and other services for many years prior the COSALO project promoting savings groups. This means that people were already familiar with some of the concepts of the SG methodology that the international NGO introduced to them. This evidence also implies that the focal savings groups have been operating under pre-existing social norms, patterns of social relations and institutional dynamics.

The last section sought to identify the dynamics of social relations and political economy more broadly in order to contextualize the discussion of these dynamics in groups. It demonstrated that patronage politics, rather than politics based on commonly agreed rules, has been central throughout the independence era. It also showed that the central feature of patronage politics has been the ability to “negotiate” and “manipulate” rules.

CHAPTER 5. SAVINGS GROUP PERFORMANCE: A QUANTITATIVE ANALYSIS

5.1. Introduction

As stated in chapter One, one of the research questions that this study attempts to answer is to explain how differential success of groups in adopting new rules and norms and sustaining their operations in the longer term can be explained. As explained in the methodology chapter, both quantitative and qualitative data are needed for this purpose. This chapter presents quantitative data from the savings groups, whilst chapters six and seven will provide analysis of the qualitative data. The first section of this chapter describes the socioeconomic characteristics of the sample and the second assesses the extent to which the SG methodology has become institutionalised i.e. that the SG rules were in use. Specifically, this section focuses on attendance levels, rules in the group meetings and the quality of record keeping. The third section discusses the performance of the groups. To establish which socioeconomic characteristics affect rule adoption and the degree to which the latter affects financial performance, correlations between a range of variables are estimated. The possibility of a direct relationship between the identified socioeconomic indicators and financial performance was also tested.

5.2. Socioeconomic characteristics of SG group members

This section presents an overview of the socioeconomic characteristics of the sample. Table 5.1 shows that 75.9% of the sample were women, which was in line with the overall share of women in all the groups that CARE had trained (77%) (CARE 2011).³⁰ With regards to the mean age of the women and men as well as the mean household size the samples in two provinces were similar. In the whole sample 79.8% were married. In Rachuonyo 19.6% of the respondents were widows, whereas in Nyamira only 9.5% were so. The greater proportion of widows in Rachuonyo helps to explain why a larger percentage of households were headed by women (33.3%) than in Nyamira (17.2%). The educational attainment, especially the

³⁰ Information in this section is from CARE International in Kenya: Community Savings and Loan (COSALO) Project Final Report 2011.

completion of secondary education of the group members in Nyamira was three times higher than in Rachuonyo, being 19.7% and 6.5%, respectively.

Table 5.1. Background characteristics of the SG respondents (percentages by category)

N = 630	Nyamira	Rachuonyo	All groups
Background			
Women	74.1	78.5	75.9
Men	25.9	21.5	24.1
Mean age of the respondents	42.0	42.0	42.0
Mean age of the women	42.0	42.0	42.0
Mean age of the men	44.0	45.0	44.5
Mean household size	6.5	6.5	6.5
Marital status			
Married/living with partner	80.8	78.5	79.8
Separated	3.0	0.4	1.9
Single	5.9	1.2	4.0
Widowed	9.5	19.6	13.7
No response	0.8	0.3	0.6
Total	100.0	100.0	100.0
Female headed households	17.2	33.3	24.1
Formal education			
None	7.3	8.1	7.6
Some primary	30.8	39.6	34.4
Primary complete	20.5	30.4	24.6
Some secondary	18.9	12.7	16.3
Secondary complete	19.7	6.5	14.3
Technical training	1.9	1.2	1.6
University	0.3	1.2	0.6
No response	0.5	0.4	0.5
Total	100	100	100

Data were also collected to assess the poverty levels of the sampled group members, which were measured using the Progress out of Poverty Index (PPI). This is an objective client poverty assessment tool, which estimates the likelihood that a participant has an income below the national poverty line. The PPI uses responses to 10 questions about family, housing, education and ownership of assets to obtain a score ranging from 0 (most likely to be below the poverty line) to 100 (least likely to be below the poverty line). This score is then used to measure the probability that the household has a per capita expenditure below a given poverty line as provided by the Kenyan Government.³¹

³¹ Scores were derived from Kenya's 2005/6 Integrated Household Budget Survey.

Table 5.2 presents a breakdown of the poverty likelihood for all groups in Nyamira and Rachuoonyo as well as for the different delivery channels: FBOs, franchisees and direct training by CARE. The results indicate that the likelihood of groups in Nyamira being poor was somewhat higher than in Rachuoonyo. Specifically, the FBO groups in Nyamira had the highest likelihood of this being the case (43.5%), whereas the franchisee groups had a 10 percentage points lower likelihood level (35.5%) and those trained directly by CARE were the least likely to be poor (32.8%).

Table 5.2. Poverty likelihood in Nyamira and Rachuoonyo by different delivery channels

District and delivery channel	Poverty likelihood
Nyamira all groups (n= 370)	39.5%
Franchisee (n= 196)	35.5%
FBO (n= 174)	43.5%
Rachuoonyo all groups (n=260)	35.0%
CARE (n=124)	32.8%
FBO (n=136)	37.3%
All groups (n =630)	37.3%

To summarise, the background characteristics of the sample in terms of mean age and household size for the two areas were largely similar. The key difference in socioeconomic data was that a higher proportion of the Nyanza sample had completed secondary education. Moreover, the results indicate that the likelihood of a group being below the poverty line was somewhat higher in Nyamira (39.5%) than in Rachyounyo (35.0%), which is generally consistent with the district level poverty statistics as presented in the previous chapter showing the former as having a slightly greater level of poverty. The next section discusses the rule following in the SG groups.

For details on how the score was constructed see <http://progressoutofpoverty.org/kenya>. The scores of poverty likelihood are averaged across the group so as to obtain a single figure as proposed by the PPI methodology.

5.3. Rule following

In order to assess whether the groups followed the SG methodology and the rules that they had agreed to follow, the following areas are analysed in this section: meeting attendance, rule-following during the meeting, the quality of record keeping, and share-out procedures.

5.3.1. Attendance of group meetings

Under the SG methodology, it was proposed that all group members should be present at every meeting and that all transactions should be undertaken only during them so as to ensure transparency. CARE's management information system reported that during the first cycle the attendance was very high in both the focal areas, being 96% and 87% respectively (CARE MIS for COSALO). However, it transpired that there were much lower levels of attendance one year after CARE had left the area. Regarding measuring attendance of group meetings the research team was only able to observe 19 group as four groups did not meet any more and unfortunately, one was meeting at the same time as another during the research window.

Table 5.3. presents both the CARE MIS and observed attendance data, from which it is evident that less than half of the group members attended the group meetings from the beginning of the session (43%) and slightly over half were present by the end (57%), which was a similar finding in the two geographical areas covered. It was expected that in the sample, for new groups the attendance would have been higher, because the trainers were still visiting the group. In fact, as can be seen, only half of the members were present in the new groups in the beginning of the meeting(53%).

There were also substantial differences between the delivery channels. That is, attendance levels were highest in the groups that had been trained by the FBOs (56%), which was followed by those that were trained directly by CARE (38%) and the lowest levels were in groups that had been trained by the franchisee (28%).

Table 5.3. Mean proportion of members attending group meetings by district and by channels

	CARE MIS 2011	Observation May 2012: Beginning of meeting	Observation May 2012: End of the meeting
Mean for all groups		43 %	57 %
All groups in Nyamira	96 %	42 %	59 %
All groups in Rachuonyo	87 %	44 %	54 %
Old groups > 2 year		38 %	51 %
New groups (1 year old)		53 %	71 %
FBO Channel	93 %	56 %	66 %
CARE Direct (only old groups)	86 %	38 %	51 %
Franchisee Channel	96 %	28 %	47 %

N for CARE MIS = 2,500 groups; n for observed groups =21 groups

The observed attendance levels would have naturally been even lower if non-operational groups had been included in the data and if a local person had observed the group meetings. Regarding the first point, two groups that had been trained by the franchisee and had ceased meeting, i.e. where the attendance was 0%, were not included in the calculations. In relation to the second matter, it is likely that the presence of the research team had a strong influence in increasing the attendance levels between the beginning and the end of the meeting. More specifically, in some groups the members knew in advance that the research team was going to attend the meeting, which increased attendance because we were seen to be associated with CARE. In the groups where members did not know in advance about the visit, when group members realised that the "visitors" were going to attend, just before the start of the meeting they phoned other members, which thus increased the attendance numbers by the end in many cases. It also became apparent in some groups that meetings would not have been even held, if the research team had not attempted to visit the group.

Comparison between the 2011 attendance levels of the sampled groups taken during an earlier cycle with the those for the observed meetings would have been desirable, but unfortunately the data for the former were incomplete. Therefore, instead the average attendance levels of each channel in the CARE MIS were compared with the observed attendance levels of the sampled groups. Table 5.3 shows that there is a substantial difference between the CARE MIS attendance figures and the observed data. That is, by the end of the group meetings the FBO channel attendance was 27 percentage points below that taken from the CARE MIS system, whilst this difference was 35 percentage points for the direct CARE channel and 49 percentage points for that of the franchisee. What this demonstrates is that there was a significant decline

in the attendance levels to those that were recorded during the first year of operations. This decline happened even when visitors were present and when many of the groups knew we were going to attend. There are several possible reasons why attendance levels were so much lower. First, in groups where both wives and husbands were members, it could have been deemed sufficient for wives only to attend. Second, attendance may have been low because there were some members who rather than attend (e.g. due to distance) still participated by delegating someone else to bring their savings to the group (FBO1-R,1). Third, in three groups the attendance was low or even non-existent because they had stopped saving and could not share-out, because they were still waiting for some members to repay their loans. That is, the borrowers were avoiding attending as they could not pay and the other members saw no point in attending until it was time for the share-out which they were continually failing to do. Attendance was also often low in those groups where someone had appropriated group funds.³²

This section presented the observed attendance rates and compared them with the CARE MIS data. The findings have indicated that the observed attendance rates were substantially lower than the CARE MIS attendance levels one year earlier. There were also substantial differences between the attendance levels according to the different delivery channels, with that of the FBO having the highest and the franchisee the lowest. However, low attendance figures do not necessarily imply that members were not saving as instances were observed where people delegated others to do so, possibly due to the travel distance involved, illness or being otherwise engaged.

5.3.2. Rule following in group meetings

This subsection covers the different stages of a group meeting in terms of which SG rules were followed and which were not. SG members received orientation training on savings, loans and group management from the CARE, from which they developed their own rules through answering a set of questions that CARE provided. There were some rules in the methodology that CARE insisted the groups follow, such as every group member must save at every meeting,

³² The rate of attendance had some relationship to the use of fines in that some groups that enforced meeting attendance with a fine for non-attendance had higher attendance. In the groups that did not levy a fine for non-attendance, there were many reasons given for not charging a fine, such as accepting members having other commitments and thus allowing them to send their savings through other group members with their apologies. Some groups had a rule that if the group met weekly or fortnightly, members must attend at least one meeting in the month.

whilst on other matters they were allowed to formulate their own rules. For example, they were encouraged to decide which fines to implement and their amount.

The degree of rule following was analysed by observing the aforementioned 19 group meetings and noted on an observation guide. Specifically, for each group the observation guide was completed by three different observers and notes were compared immediately after the meeting. The majority of the observed groups started their meeting punctually, for as table 5.4. shows, 12 out of the 19 groups started theirs on time. The other seven groups started more than 30 minutes late and some meetings did not commence until one to two hours later than announced. The SG methodology suggests that if members do not follow the SG rules they are supposed to pay a fine. All the groups in the sample had agreed that members absent without an apology would have to do so as well as any late comers. However, only in eight groups did non-attending members pay fines and in ten groups members paid a fine if they arrived late. The observation exercise also revealed that for all but one of the meetings some members arrived late, with on average, nine persons per group doing so. In ten groups the record-keeper registered attendance but in nine groups no attendance was taken.

Part of the methodology that CARE introduced to the groups was a metal cashbox with three locks, which was only supposed to be opened during the meetings. After the meeting the remaining cash as well as the ledger and passbooks were to be locked in the box, as appropriate, which was only to be opened again when all group members were present at the next meeting. Three members of the groups who were not the officeholders were to keep the keys. The aim of having the cashbox and transacting only during the group meetings was to increase transparency and trust (Grant and Allen 2002; Singer 2008; Otieno 2009; Allen and Staehle 2006).

However, even though the metal box was a key part of the methodology in the majority of groups it was not used as intended and surprisingly six did not even have one at the observed meeting. Further, five out of the remaining 13 groups that had a box did not keep their ledger and/or passbooks in the box between the group meetings. Lastly, in five groups the three keys were kept by one person, who in most cases was one of the group leaders. All these variations meant that only seven out of the 19 groups used the metal box as intended.

Table 5.4. Numbers and percentages groups following and not following the SG rules

Rules	Yes	Yes %	No	No %	N/A*	%
Meeting opening						
Meeting started on time	12	63 %	7	37 %	0	0 %
Attendance register taken	10	48 %	9	52 %	0	0 %
Members paid fine if did not attend meeting	8	42 %	11	58 %	0	0 %
Members paid a fine for being late	10	53 %	9	47 %	0	0 %
Metal box						
Group had a metal box	13	68 %	6	32 %	0	0 %
Group kept the books in the box	9	47 %	5	26 %	5	26 %
The box was locked with three locks	11	58 %	2	11 %	6	32 %
Different members kept the keys to the box	9	47 %	3	16 %	7	37 %
Savings						
Members to recall the balance of the loan fund from the previous meeting	0	0 %	19	100 %	0	0 %
Record keeper asked members to recall the amount of money kept in the box before it was opened	1	5 %	3	16 %	15	79 %
Members were asked to come in front of the group to save	16	84 %	1	5 %	2	11 %
Every group member saved	1	5 %	17	90 %	1	5 %
Members bought more than 10 shares	3	16 %	14	74 %	2	11 %
Money counters counted the money and announced the amount that members had saved	17	90 %	0	0 %	2	10 %
The record keeper stamped the correct number of shares and crossed unused blocks	15	79 %	2	11 %	2	11 %
Members were able to check that their savings were entered correctly	9	47 %	8	42 %	2	11 %
Loan repayment						
The record keeper publicly announced the amount due for each borrower and asked them to repay	15	79 %	4	21 %	0	0 %
The money counters counted the payment, announced the amount	18	95 %	1	4 %	0	0 %
If the remaining balance due was zero, the record keeper announced that the loan had been repaid	15	79 %	3	16 %	1	5 %
Everybody that had a loan, repaid part or all of it and interest?	1	5 %	18	95 %	0	0 %
Loanees who did not repay or pay interest paid a fine	11	58 %	8	42 %	0	0 %
Loan taking						
Members requested loans by stating the amount they needed	12	71 %	3	18 %	3	12 %
Group discussed the loan requests	4	25 %	11	69 %	1	6 %
If total value of the loans requested more than the money available, group discussed any adjustment	5	31 %	9	56 %	2	13 %
The record keeper entered the loan amount and interest due into member's passbook	12	75 %	3	19 %	1	6 %
Borrower signed that she/he had received a loan	7	41 %	9	53 %	1	6 %
Borrower announced out loud the total amount received	6	38 %	9	56 %	1	6 %
Closing the meeting						
Record keeper announced total loan fund and chair instructed the members to memorise the balance	2	11 %	15	79 %	2	11 %
Key holders locked the box	9	50 %	3	17 %	6	33 %

*Not applicable or not available

There were several rules that the groups and group members were supposed to follow when they were contributing their savings, some of which were only followed by a minority, whilst others had been adopted by the majority. The SG methodology suggested that before the members saved in the group meeting, the record keeper was supposed to ask those attending to recall the balance of the total loan fund from the previous meeting, but this was only observed only in on group (FBO4-R). Only four groups kept money in the box between the meetings. In these groups none of the leaders did ask the members to memorise how much was kept in it.

Regarding the amount of savings, group members had initially decided the value of the minimum saving that each member was supposed to save. The methodology suggested that members should buy between one and five shares at each meeting. However, the groups in the sample had decided they had to buy (save) between one and 10 shares. There was only one group where all the members saved during the meeting and regarding the rest there were on average 3.4 members that did not save anything. Regarding the maximum amount of savings, there were three groups where several members saved more than 10 shares during a meeting, which clearly broke their own pre-set rules.³³

The methodology also suggested that members be called upon one by one to come in front of the group to save so that everybody saw and heard what was happening. There was a strong degree of compliance with this recommendation, for all the observed groups except one did so. After receiving the savings from members, the money counters were supposed to count the money, announce publicly how much a person had saved and place it in the money-counting bowl or on the table, which happened in all the groups where saving was taking place. Then, in 15 out of the 17 groups where it was applicable the record keeper stamped the appropriate number of times in relation to the amount saved or wrote the correct number of shares into the passbook and crossed out any unused blocks. In the other two groups passbooks were filled in after the meeting and it was later found out that in these two groups the secretaries had falsified the records. In only nine out of 19 groups were the members able to check that the savings amount had been entered correctly as the secretary handed the passbooks to them for inspection.

³³ The SG methodology also allowed the members to contribute more than five shares in the beginning of the new cycle if all the group members agreed and if all the group members contributed equal amount (*VSL Programme Guide – Field Operations Manual 2007*).

Regarding loan repayment, according to the CARE methodology, the record keeper was to announce publicly the amount due by referring to the borrower's passbook. In 15 groups this procedure was followed, whereas in the other four groups the member paid and the secretary did not announce the amount of loan before the payment or tell the group after how much the member was still owing. In only one group did all the members either repay their loans or interest on them. In eight groups members did not pay a fine even when they did not contribute anything towards a loan repayment.

According to the methodology, the chairperson was to invite loan requests and remind members of the maximum permitted duration and the loan amount, which was usually three times members savings. Then, the members were supposed to request loans by saying the amount, duration and purpose. In 12 groups the members requested loans openly by telling the others out loud how much they had requested or by writing it down on a piece of paper. We observed that in three groups that the leaders obtained loans without any open discussion and found out later that they had agreed among themselves beforehand the amount of the loans that they would receive.

Following this, each group was supposed to discuss the loan requests, but this only happened in four of them. The record keeper was then expected to calculate the total value of the requests and announce it. If the total value was more than the money available in the loan fund, the group was supposed to discuss adjustments to the individual loan amounts until all members were satisfied. However, this was done only in five groups, for in the other nine where this applied there was no discussion. Subsequently, we found that in some of the groups where there was no discussion, the leaders and powerful members were able to receive larger loan amounts than other members.

According to the methodology, the record keeper should then have entered the loan number, loan amount and service charge due in the borrowing member's passbooks. In most of the groups the loans amounts were entered into the ledger or the passbook, but in three this was not done (FBO3-N, FBO5-N and FBO6-N). The borrower was then supposed to count the money and sign for it. It was observed that in less than half of the groups (seven) did the members sign anywhere that they had received a loan. The CARE recommendation was that the record keeper should then to instruct the borrower to announce out loud the total amount due and the deadline for repayment, but none of the groups had introduced this part of the methodology. The record-keeper was then supposed to announce the total of the loan fund

once again and the chairperson was supposed to instruct all members to memorise the balance for the next meeting, which was observed in only two groups. The total loan fund was not noted anywhere in the ledger in any of the groups. Then, the box was to be locked, with the keys being given to different people and of the 13 groups using boxes, nine locked them at the end of the meeting, but the process of distributing the keys was unobserved. It was later found out that regarding two of the groups where the boxes were not locked, the secretaries took the books home to work on them and falsified group records before locking them in the boxes.

Index for the degree of rule following

In order to be able to compare whether there were differences in rule following between the districts and between the different delivery channels in later analysis, a rule following index was constructed based on table 5.2.

Index for degree of rule following:

1. Did the record-keeper take the attendance?
2. Did the group have a box?
3. Did members that did not come to the last meeting pay a fine?
4. Did members pay a fine for coming in late for the meeting?
5. If a member did not save, did they pay a fine?
6. After the secretary had recorded the amount saved into the passbook, was the member able to check that the entry was correct?
7. Did the record-keeper publicly announce the amount due by referring the borrowers' passbooks?
8. Did the group discuss the loan requests?
9. If the total value of loans requested was more than the money available in the loan fund, did the group discuss adjustments to the individual loan amounts until all members were satisfied?
10. After the member had received a loan, did she/he sign the passbook?

Table 5.5 indicates that overall more rules were followed in Rachuonyo when compared to Nyamira. Moreover, the groups under the FBO channel in Rachuonyo followed more rules than the other delivery channels.³⁴

³⁴ Whether rules are followed is also related to whether members know and understand them. If members had not been trained on the methodology, it was less likely that they were following the rules. We explored the extent of turnover of the membership. After two share-outs, on average, nine members had left and 14 new members had joined the sampled groups that were now in their third cycle. There were no major differences between the different channels. This means that in a typical group of 30 members after two cycles close to half of the group members (45%) had not been trained by the rules, unless they did some refresher training. In most of the groups there were also members that had been in the group from the first cycle, but had not been trained because they had joined soon after training. In

Table 5.5 Mean number of rules followed by different delivery channels

	Nyamira	Rachuonyo
Overall Mean	3.7	4.7
Overall median	3.5	5.5
FBO Mean	3.5	5.6
FBO Median	3.5	6.0
CARE Mean		3.8
CARE Median		3.0
Franchisee Mean ³⁵	4.0	
Franchisee Median	4.5	

To conclude on rule following, this subsection has indicated that many groups had adopted several of the key rules aimed at ensuring transparency and accountability. In almost all the groups, the members carried out the financial transactions, saving and borrowing in front of the group. Similarly, the money counters counted the members' savings and the amount that they had repaid, both of which were then announced to the whole group. Subsequently, in three quarters of the groups the secretary recorded the amounts into the ledger and/or members' passbooks.

It was expected that the groups would not follow all the details of the methodology, but it was surprising how many key procedures were not adopted. Considering that the metal box was a salient part of the methodology, it is surprising that only one third of the sample used it as the suggested. Fines that were supposed to enforce discipline were used only in half of the groups. Similarly in only half of the groups were members able to verify that the savings had been entered correctly into the passbook. Further, in less than half of the groups did members sign anywhere that they had received a loan. FBO groups followed more rules during the meetings than those in other channels. Then there were rules that were not followed at all, such as the fact that in no case was a group members asked to recall the balance of the loan fund from the previous meeting. In addition to rule following, it is important to understand what was the quality of record keeping in the different groups and the next subsection presents the findings on this.

sum, the fact that half of the members had never received training might also have had a negative impact on the rules being followed.

³⁵ Three of the groups that had been trained by the franchisee were not meeting at the time of research visit. One of them had stopped meeting, members did not save, loans were not repaid and no fines were paid. This group did not get any points. The two other groups that had stopped operating were not included. If these groups would have been included, the mean and median of the franchisee channel would have been even lower.

5.3.3. Quality of record keeping

In addition to training the groups on how to conduct meetings, save and borrow, the groups were given instruction on recordkeeping. At the beginning of the project, CARE advised the trainers to train the groups only on the centralised ledger where all the members savings and loans were to be recorded. Later, it changed its approach and started training groups on passbooks only. The groups that had been initially trained on ledgers were also introduced to the passbooks and most began using them. Hence, there were groups that used only ledgers, some that used only passbooks and others that used both. Table 5.6 reports that almost all the sampled groups (21 out of 24) used a ledger as observed during the initial contact. Similarly, 21 groups used passbooks but two did not and 19 used both methods. This review of recordkeeping involved the records from 20 groups as four were no longer operational and records were not available.³⁶ However, both ledgers and passbooks were only received from 16 groups on request and those that were available were analysed to assess the quality of the record keeping.³⁷ For the groups that used both the ledger and passbooks, we wanted to check whether savings and loans tallied.³⁸ Out of the 16 groups from which we had both recording means, in 11 cases the savings amounts in the passbook tallied with the ledger, but the other five the figures did not, three of which were from Rachuonyo and two from Nyamira. Regarding loans records, in four groups the passbooks and ledger did not tally.

³⁶ However, during our first visit to these four groups we had seen whether they use ledger and/or passbooks.

³⁷ There were variations even in the passbooks, for during the project CARE had provided to the groups with two versions. In the first, there was no space to write the interest and in the second, a column for the interest had been added. Out of the 21 groups that used passbooks, 18 used the second version and one used the first, whilst two groups had created their own passbooks that were not similar to the CARE ones.

³⁸ Five members from each group were randomly selected and then the passbook records were compared with the ledger records.

Table 5.6. Quality of book keeping

	Yes	Yes %	No	No %	Missing*
Group uses a ledger	21	87.5 %	3	12.5 %	0
Group uses passbooks	21	87.5 %	3	12.5 %	0
Group uses both ledger and passbooks	19	79.0 %	5	21.0 %	0
Savings in the ledger and passbook tally	11	69.0 %	5	31.0 %	3
Member signs in the ledger that a loan has been received	5	25.0 %	15	75.0 %	0
Member signs in the passbook that a loan has been received	6	30.0 %	14	70.0 %	0
There is a date for when the loan was given**	15	83.0 %	3	17.0 %	2
Date of repayment is marked in the ledger	13	81.0 %	3	19.0 %	4
Repayment marked in the passbook	10	62.5 %	6	37.5 %	4
Marked clearly in the ledger whether interest on loan has been paid	12	75.0 %	4	25.0 %	4
Marked clearly in the passbooks whether interest on loan paid	11	69.0 %	5	31.0 %	4
The ledger and passbook tally***	12	75.0 %	4	25.0 %	4

* Missing indicates that either passbooks or ledgers were not available or the groups did not meet and hence we could not identify where they were kept

**Either in the ledger or passbook

*** Several groups did not enter loans into the passbooks.

The methodology suggested that after receiving a loan the borrowers were to sign to indicate that they had received it, either in the passbook or in the ledger or in both. In the great majority of cases, there was a failure to sign for loans by either method. In 15 cases ledgers were not signed, while in 14 this was the case for the passbooks. In the majority of groups it was possible to establish when the loan was given, and when repayment was made. Specifically, for 15 groups out of 18 there was a date either in the passbook and/or in the ledger when the loan was given. In the ledger repayment was marked clearly in 13 out of 16 cases. In the passbooks repayment was marked clearly in 10 out of 16 cases. In relation to Rachuonyo, there were more groups where repayment was marked clearly than in Nyamira and for all the groups under the FBO trainers in the former area the loan repayments were marked clearly. In order to understand whether everybody paid interest, it had been explained to the groups that it was important that these payments were clearly marked in the ledger and/or passbooks. In respect of this, 12 groups interest was clearly marked in the ledger and for 11 it was so in the passbooks. Regarding the two regions, the results were different in that for Rachuonyo interest payments were marked clearly in all groups' ledger and in all but one case in the passbook, whereas in Nyamira there were four groups where the ledger was not correctly entered and this was so for five groups' passbooks. Overall it can be concluded that introducing first the ledger books and then later the passbooks did certainly not make it easier for the groups to adopt the record keeping system.

Index of quality of record keeping

In order to have an overall measurement for the quality of record keeping an index was constructed, which consisted of the following questions constructed from the statements in table 5.6 and one point was given for each that was complied with.

Index of quality of record-keeping

- Did the savings in passbooks and the ledger tally?
- Have all members signed in the ledger that they have a loan?
- Have all members signed in the passbook that they have a loan?
- Did all loans have a date when they were given?
- Was loan repayment marked clearly in the passbooks and in the ledger?
- Was interest payment marked clearly in the ledger?
- Was interest payment marked clearly in the passbooks?
- Did members' loans in the passbook and ledger tally?

Table 5.7 indicates that the quality of record keeping in Rachuonyo was higher than in Nyamira. The highest quality records were found with groups that had been trained under the FBO channel in Nyamira and the worst were in groups that had been trained by the franchisee in Nyamira.

Table 5.7. Mean number of record keeping rules followed by delivery channel

	Mean		Median	
	Nyamira	Rachuonyo	Nyamira	Rachuonyo
All groups	1.3	3.8	1.0	4.5
FBO	1.5	4.2	1.0	5.0
CARE		3.4		4.0
Franchisee	1.0		1.0	

To conclude on record keeping, even though in two thirds of the groups most of the key principles were followed, it was nevertheless worrying that in one third there were cases where the members savings in the passbooks and the ledger did not tally and in one quarter of the groups this was the case for some of the members' loans. In general, the highest level of rule following was found in groups that had been trained under the FBO channel in Rachuonyo and the second highest was for those that had been trained under the franchisee. However, half to the groups under this channel could not be observed, because they had not restarted after a partial share-out (too many defaulters) or had stopped operating. If they are included, the groups under the franchisee turn out to be the bottom performers as the non-operational groups were no longer following any rules. In line with rule following during the observed meeting, the FBO groups in Rachuonyo also had the highest attendance levels as well as the best quality record keeping. At the other end, the attendance in meetings was lowest with the franchisee groups, which also had the poorest quality of record keeping.

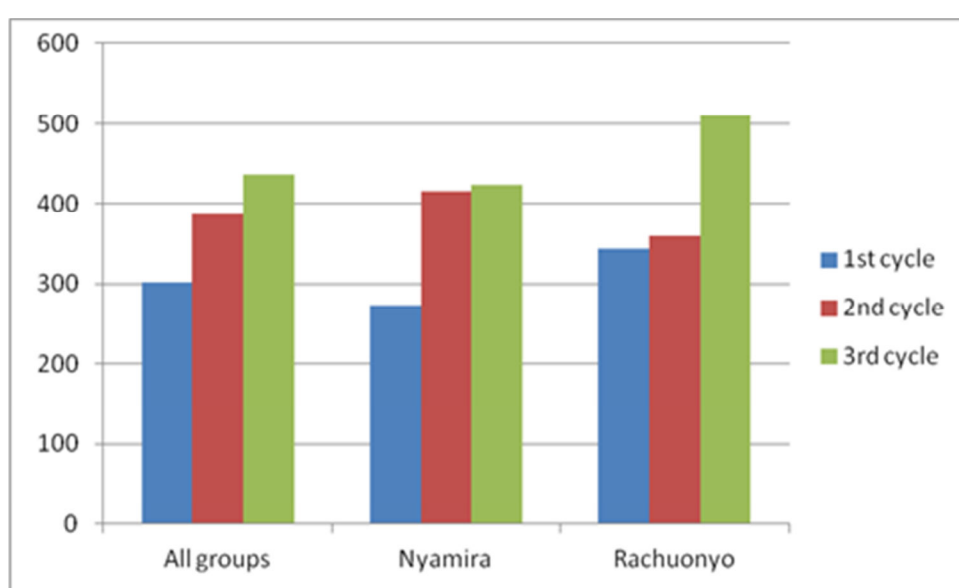
5.4. Financial performance of the sampled groups

This section discusses the financial performance of the groups and first, a review of this is provided through analysis of the levels of savings, loans and return on savings (ROA) at the end of each cycle. Subsequently, in order to compare the financial performance across the groups an index regarding this is constructed for subsequent correlation analysis.

5.4.1. Savings and loans

The expectation of the methodology was that groups would start with small savings and as members started to trust each other through their collaboration, they were able to intermediate more funds. Savings levels between the cycles are analysed first. As the bars for all groups in figure 5.1 shows, the saving in cycle two was substantially higher than in cycle one and that in cycle three was higher than in cycle two, but the increase was not as high as that between the first and second cycle.

Figure 5.1. Mean monthly savings for all groups as well as in Nyamira and Rachuonyo³⁹



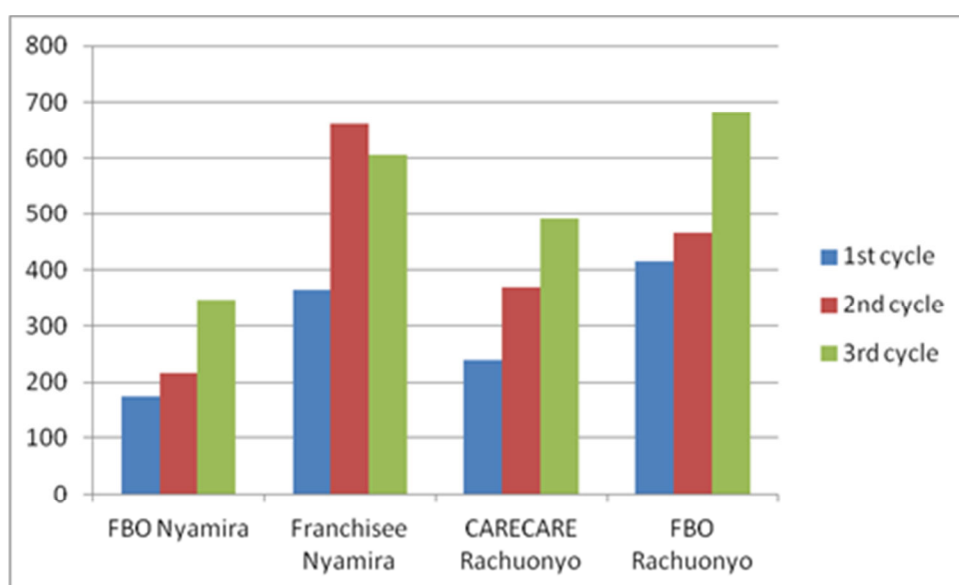
When analysing districts separately, in Nyamira savings started at a relatively lower level than in Rachuonyo during the first cycle, but then increased so much in the second cycle as to overtake the amount saved by the latter region during this cycle. However, by the third cycle, savings in Nyamira had virtually levelled off whereas in Rachuonyo they once again surpassed the other region with a marked further increase.

Figure 5.2. shows that there were also differences between the different channels. The savings levels increased in each subsequent cycle for all the channels, except for a decrease between the second and third cycle for the franchisee groups. In Nyamira, the franchisee groups saved almost twice as much as the FBO ones, whereas in Rachuonyo, the latter groups saved initially

³⁹ Monthly savings were analysed because several groups had not completed their third cycle.

substantially more than the groups trained by CARE. However, during subsequent cycles the CARE groups' savings rate also increased. The difference in savings levels in Nyamira can partly be explained by the fact that poverty likelihood scores of the franchisee groups were lower, thus indicating that they were somewhat less poor than the members of FBO groups. However, in Rachuonyo the FBO groups saved substantially more than the CARE groups even though FBO groups were more likely to be poor.

Figure 5.2. Mean monthly savings by delivery channel



There were also differences in the savings levels within the cycles. The figure 5.3, shows how the monthly savings varied during the different cycles in that groups saved more at the beginning and less towards the end. This trend is most apparent during the second and third cycles and less so during the first. This could be explained by the fact that in the beginning of the second and third cycles, members had money from the share-out and wanted to invest it back into the scheme, but towards the end of the cycle they were saving less so that they could use all the available funds for repaying their loans.

Figure 5.3. Mean monthly savings per member in all groups during each cycle

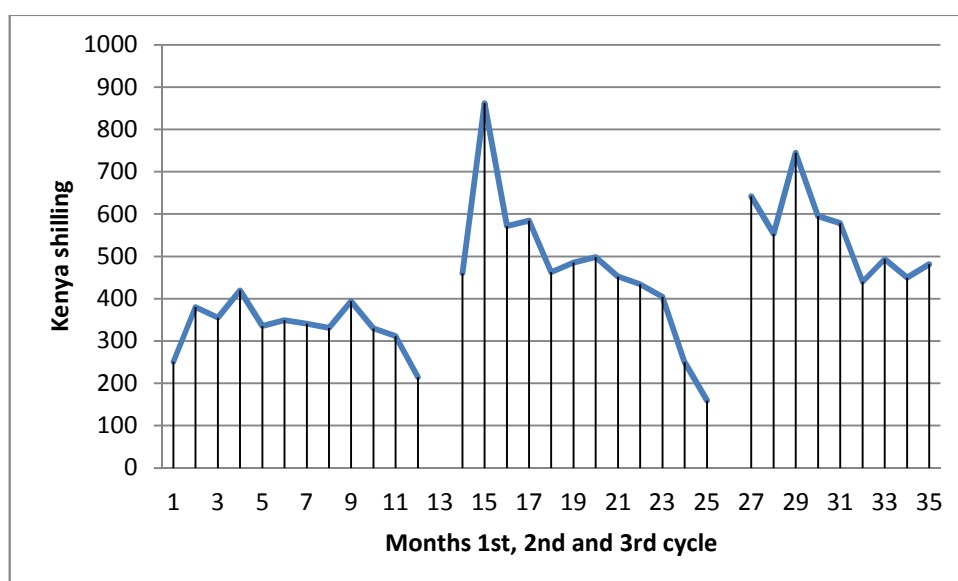
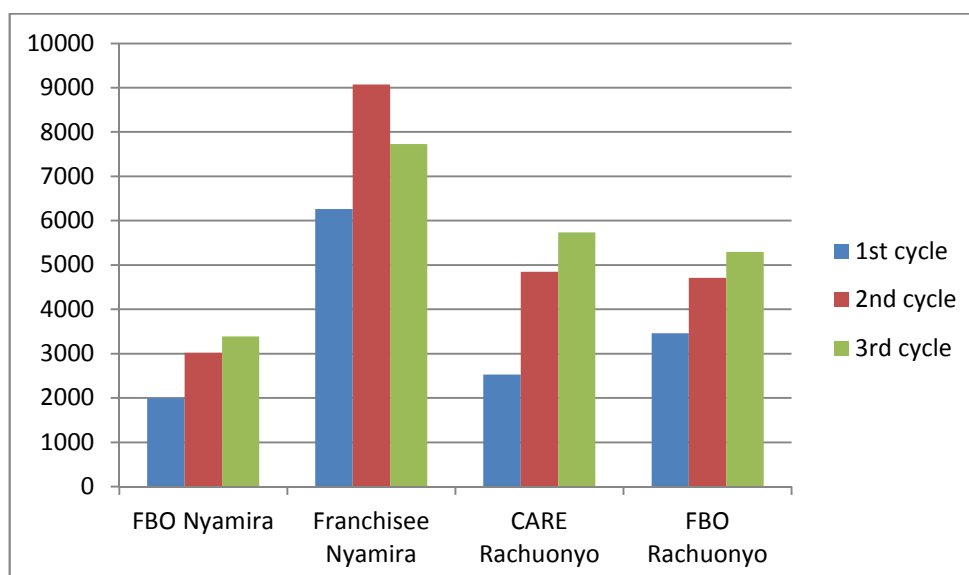


Figure 5.4. indicates that the mean loan sizes increased from the first to second and from the second to third cycle, except for the franchisee channel groups, which was in line with the increased monthly savings. However, in the franchisee channels groups the mean loan size fell between the second and third cycle, which corresponded with reduced savings levels for these groups.

Figure 5.4. Mean loan sizes during each cycle by delivery channel



5.4.2. Share-out and Return on savings

On a date chosen by the members, usually after about a year, all the financial assets were divided among them in proportion to each one's savings in the "share-out" meeting. The share-out is complicated when a member has not repaid a loan at the time of the share-out. In such cases, the value of this particular person's shares, which is equal to the outstanding loan, is cancelled in the pass book. This cancellation is a penalty because the profit of the group is distributed based on the number of shares that the members have.

In order to divide the profit (i.e. accumulated interest) proportionally among the group members at the time of share-out, trainers or group leaders are expected first to calculate the group profit, return on savings (ROS) for the whole group.. In order to elicit this figure, net profit first has to be calculated through the following formula that SG promoters use :

$$\text{Net profit} = \text{cash at hand} - \text{savings of the group.}$$

After that the return on savings is calculated through the following formula:

$$\text{return on savings}^{40} = \text{net profit} / \text{cumulative value of savings.}$$

When the profit for the whole group, Return on Savings, has been calculated, trainers or group leaders calculate what each member is due.

According to the SG methodology, the ROS can only be calculated after all the loans have been repaid. If some members have not repaid them by the time of the share-out, their savings are to be deducted before the share-out so as to offset their loans, which is key part of the proposed methodology. However, the practice uncovered that for three quarters of the sampled groups the ROS was not calculated, but instead *estimated* by the trainer before most of the members had repaid their loans under the assumption that all the members would repay their loans. Then, based on this assumption, the group profit was allocated according to the

⁴⁰ This is standard approach to measure Savings Group performance. The term 'Return on savings' (ROS) is commonly used within the promoters of Savings Groups. ROS is equivalent to Return on Assets within Microfinance industry.

savings of each member. In this way, the members that still had not repaid their loans used their savings and the calculated profit⁴¹ to offset them. Even members who did not fully pay their loan on the share-out day and whose loans were bigger than their savings and estimated profit, agreed with the secretary that the savings and profit would be deducted from their loans. Then, in order to clear their loans fully, they then agreed the date *after* the share-out day to repay the balance. This meant that other members that had repaid their loans before the share-out did not get the full amount that they merited when this was paid. In 11 groups defaulters who did not repay their loans on the day of share-out, were still given their 'estimated' profits which were then deducted from their loans. This new way of calculating ROS is problematic, because the members that have repaid fully do not get all their savings and profit back. The distributional consequences are unjust in the sense that members that have repaid, do not get all their money back, but those who have not repaid their loans were able keep other members money. In essence, this meant that members that followed the SG rules and repaid their loans suffered because they did not get their all of their savings and profits and also they could not be sure whether they would ever get their funds back. By contrast, the members who did not follow the share-out rules, did not suffer in any way because they had group funds available for expenditure throughout the cycle. This new way of doing the share-out also removed the incentive to repay the loans before the share-out.

The fact that in half of the groups defaulters (members that had not repaid by the time of share-out) still did receive their profits, and that several trainers did the share-out calculations this way, indicates that for them the norm of fairness was viewed from a somewhat different angle than what the methodology. Several respondents told that it was not fair towards the defaulters not to give any profits to the defaulters, since the also the defaulters had save the whole cycle and borrowed from the group and paid interest. (FBO1-N, 2)

In table 5.8 both the mean and median *estimated* ROS⁴² and the actual ROS at the time of share-out are presented. During the first cycle there was only a difference of two percent in ROS between the mean estimated (what theoretically should be the ROS) and actual (what return the members actually received during the share-out day). During the second cycle the difference between these two figures had increased to 10%, and during the third cycle, for

⁴¹ i.e. not the real profit but expected profit

⁴² ROS under the assumption that all the loans have been fully repaid, even though they had not been repaid.

which there was less data, the difference rose to 26%.⁴³ The data in the table also indicate a downward trend in the actual ROS between the first, second, and third cycles both in terms of the mean and median scores, from 82% to 59% and from 80% to 64%, respectively.

Table 5.8. Calculated and actual mean and median ROS during the share-out in each cycle

	Mean		Median		N
	Calculated ROS	Actual ROS	Calculated ROS	Actual ROS	
1st cycle	84%	82%	80%	80%	22
2nd cycle	75%	65%	78%	72%	15
3rd cycle	85%	59%	84%	64%	5

However, in these ROS figures there is a selection bias in that they were only calculated from groups that were able to perform a share-out. If the groups that failed to collect all the loans back and postponed the share-out indefinitely or stopped operating in the middle of a cycle are included, the mean figures are naturally lower. For, in most of the cases where the share-out was postponed indefinitely, the ROS was negative. If we assume that in those groups that did not manage to calculate the share-out the ROS is zero, the following ROS are obtained.

Table 5.9. Calculated and actual mean and median ROS for all groups

	Mean		Median		N
	Calculated ROS	Actual ROS	Calculated ROS	Actual ROS	
1st cycle	77%	75%	80%	80%	22
2nd cycle	70%	54%	75%	68%	15
3rd cycle	61%	33%	81%	9%	9

5.4.3. Financial performance index

In order to further analyse financial performance of the groups in relationship to location, delivery channels and the degree of rule following, I created an index based on the ranking of both the ROS and level of savings (mean monthly savings). Since it was likely that groups with on average poorer members would be saving less, I attempted to normalise mean monthly savings by dividing them with the poverty likelihood index that I had calculated for each group (see table 5.2.). The latest actual ROS figures at the time of share-out were used.

⁴³ There were also cases where the trainer estimated ROS was lower than the actual. In these cases our respondents had expressed suspicion that the trainer together with group leaders were taking the difference for themselves.

That is, the following formula was used when creating the index:

Financial performance index (for groups) = ROS index + (mean monthly savings ranking x mean poverty likelihood for the group)

Table 5.10 reports the mean financial performance index for groups, first in Nyamira and Rachuonyo, and then with respect to each delivery channel. Again, a similar pattern as in the previous section can be seen in that the groups in Rachuonyo scored higher, the FBO groups in Rachuonyo had the highest score of all the channels and the Franchisee groups had the lowest.

Table 5.10. Comparative financial performance index by districts and delivery channels

District	N	Sum	Mean
Rachuonyo	12	374	31.1
Nyamira	12	303	25.2
Delivery channels			
FBO Rachuonyo	6	215	35.8
Direct CARE	6	159	26.5
FBO Nyamira	6	157	26.1
Franchisee	6	146	24.3

To conclude on financial performance, an index was created based on the ROS and savings levels of the groups, with the latter being adjusted using the poverty likelihood score.

5.5. Loan repayment

The methodology suggested that members should repay the loan after one month together with interest. However, if borrowers were unable to repay within this time, they would be able to extend the loan up to three months. The groups were asked to set the monthly interest rate and all those in the sample charged 10% per month. They were also supposed to discuss and set fines and other penalties for members who did not repay after three months.

Financial data collected from the ledgers and passbooks indicated that in most of the groups there were overdue loans (over 3 months).⁴⁴ However, these were not treated as defaulted loans, especially if interest was being paid. In fact, none of the groups took any steps to enforce

⁴⁴ It was difficult to obtain exact figures because half of the passbooks did not indicate the date when the loans were given or the date when the loans were repaid. With some groups, secretaries were also unwilling to disclose who was late.

repayment as long as members paid interest. When asked about the late loans, the secretaries only listed those on which no interest had been paid. The respondents did not see any problem in the loan remaining outstanding so long as interest was paid, since that person was contributing to the group income.⁴⁵ This, however, meant in practice that funds were not rotating within the groups as intended in the methodology. Further, most of the groups did not take any serious action to enforce repayment during a cycle even when group members had outstanding loans of more than three months and *had not paid interest*. Sometimes a neighbour was sent to inquire what the problem was. All the groups, except two, waited until end of a cycle before taking any serious action to enforce repayment. The two groups that took action had tried to take assets when the members with late loans had not paid interest for five months. However, taking action in the middle of a cycle was new even to these two groups. All the groups had members that were late with their loans at the time of share-out. Hence, the local practice for late loans did not pertain to those that had not been repaid in three months as the methodology suggested but rather, those that had not been repaid at the time of share-out. In fact, loans were rolled over in practically all the groups as long as the interest was paid. The fact that many members were slow to repay can also partly be explained by use of local norm that loans are open ended. This will be discussed further in chapter Six.

To analyse more systematically how the groups handled late loans, they were divided into different categories based on their level of compliance with the five criteria below, which are also shown in table 5.11. Red indicates that the group did not follow the methodology, whilst green refers to those where it was followed. The data for the table was taken from the most recent cycle.

Delayed share-out

As pointed out above, the methodology proposes that before the share-out can be calculated, all the loans must have been repaid. In cases where all the loans had not been repaid on time, the share-out would have to be delayed. The sampled groups usually delayed the share-out by two weeks or one month. In fact, 23 groups had postponed the most recent share-out because members with loans had not repaid them on time, i.e. only one had not delayed it.

Clearing late loans before the share-out

⁴⁵ This was similar to the indigenous ASCAs in Nyamira, where it was a common practice to take a loan during the first month of the cycle and keep it throughout the cycle.

In ten groups, all the loans were recovered before or on the new share-out date. Members with loans had either repaid them or the group had taken assets in lieu of them. In five cases the groups was not able enforce repayment even though the share-out had been delayed several times and three of these groups never managed to complete the process. The other two made a partial share-out where the funds that were in the group fund were divided among the members that had fully repaid. In nine groups, the leaders and members were not able to enforce repayment even though the share-out had been delayed multiple times, but it was conducted eventually even though not all members had repaid. In these cases, the moneys that were available in the group fund were divided between the members that had repaid in full.

Clearing late loans after the share-out

There were four groups where members cleared their loans within two months after the share-out, whilst the rest took longer and five were not able to enforce repayment at all.

Proportion of the portfolio not repaid at the time of the share-out

In five groups the proportion of uncollected loans at the time of the latest share-out was less than 10 ten percent of the total group funds and in eight groups this figure was over 10 per cent.

Restarting a new cycle after the share-out

Nineteen groups restarted immediately after the share-out even though in 11 not all the members had repaid their loans from the previous cycle. The members that had not repaid their loans were nevertheless allowed to participate in the new cycle. Five groups did not proceed with a new cycle.

Table 5.11. Late loans

District	Delivery channel and Group code	Share-out was postponed	Late loans were cleared before the delayed share-out date, or were the late loans pushed into new cycle or were the cases NOT cleared	Number of months after the share-out when the loans were cleared	Proportion of portfolio not repaid at the time of share-out	Group restarted after share-out
Nyamira	FBO1-N	Yes	Late loans moved into new cycle	> 2 months after share-out	>10% not repaid	Yes
	FBO2-N	Yes	Default cases cleared before the share-out			Yes
	FBO3-N	Yes	Late loans moved into new cycle	> 2 months after share-out	>10% not repaid	Yes
	FBO4-N	Yes	Late loans moved into new cycle	< 2 months after share-out	< 10% not repaid	Yes
	FBO5-N	Yes	Late loans moved into new cycle	> 2 months after share-out	< 10% not repaid	Yes
	FBO6-N	Yes	Default cases cleared before share-out			Yes
	FR1-N	Yes	Late loans moved into new cycle	< 2 months after share-out	< 10% not repaid	Yes
	FR2-N	Yes	Late loans moved into new cycle	> 2 months after share-out	>10% not repaid	Yes
	FR3-N	Yes	Late loans not resolved, group not operating	> 2 months after share-out	>10% not repaid	No
	FR4-N	Yes	Late loans not resolved, group not operating	> 2 months after share-out	>10% not repaid	No
	FR5-N	Yes	Has delayed share-out > 6 months No activity			?
	FR6-N	Yes	Default cases cleared before share-out			Yes
	CARE1-R	Yes	Default cases cleared before share-out			Yes
	CARE2-R	Yes	Late loans moved into new cycle	> 2 months after share-out	>10% not repaid	Yes
	CARE3-R	Yes	Delayed share-out > 6 months. Partial share-out later	> 2 months after share-out	>10% not repaid	No
	CARE4-R	Yes	Default cases cleared before share-out			Yes
	CARE5-R	Yes	Default cases cleared before share-out			Yes
	CARE6-R	Yes	Has delayed share-out > 6 months No activity			?
Rachuonyo	FBO1-R	Yes	Default cases cleared before share-out			Yes
	FBO2-R	Yes	Default cases cleared before share-out			Yes
	FBO3-R	Yes	Default cases cleared before share-out			Yes
	FBO4-R	Yes	Late loans moved into new cycle	< 2 months after share-out	< 10% not repaid	Yes
	FBO5-R	No	Default cases cleared before share-out			Yes
	FBO6-R	Yes	Late loans moved into new cycle	< 2 months after share-out	< 10% not repaid	Yes

As the table indicates, there were differences between the districts and also between the delivery channels. The amount of green in Rachuonyo clearly indicates that groups were performing there better than in Nyamira. In Rachuonyo, seven groups out of 12 had managed to recover all the late loans before the share-out, whereas in Nyamira only two had done so. Here, the FBO and franchisee channels performed equally poorly, with only one group from each being able to recover all the loans before the share-out. However, the FBO channel in Rachuonyo had the highest number of groups (four) that managed to recover all the late loans before the share-out, whilst those trained by CARE came second with three. Based on the table, a loan repayment index was developed consisting of the five factors illustrated, which is used in section 5.6 when correlations are calculated to test the association between a range of factors. The findings indicate that groups that took defaulters' assets were more likely to recover all the late loans. Specifically, out of the 10 groups that had recovered all the late loans before the share-out, seven had taken members assets. Six of these were from Rachuonyo (three under the FBO and three under CARE) and only one from Nyamira (under FBO channel in Nyamira).

To conclude, both the groups trained directly by CARE and under the FBO channel in Rachuonyo had less serious default cases compared to the FBO and franchisee groups in Nyamira. One important reason why the groups in Rachuonyo performed better was that they were able to recover all the loans before sharing out. Moreover, it seems that one key tool for ensuring timely repayment was that the groups trained under CARE and FBO in Rachuonyo took assets from defaulters before the share-out much more frequently than those in Nyamira. Asset taking will be discussed in detail in the next chapter.

In reality the situation was even worse than what the table indicates. For instance, there were unjust distributional consequences, because several groups postponed their share-out by over six months and other over one year. For all the groups where the share-out was postponed, it was the leaders that benefited, because they had the biggest loans. In one group (Engoa), the chair and secretary had loans that were ten times bigger than their savings. In another group that had postponed the share-out by one year, in addition to the leaders' big loans one wealthy businesswoman had a loan of KShs 83,000, which like most of the other excessive loan examples broke the group's own rules on no one borrowing more than three times what they had saved. However, there were unjust distributional consequences even in groups that had managed to

perform the share-out. In eight groups⁴⁶, there were several members that had not repaid their loans six months after the share-out and in several of these the group members had not received payments from the defaulters even after 12 months. In the next section, the appropriation and fraud cases are discussed.

5.6. Appropriation and fraud cases

Cases were encountered where group funds were appropriated by the trainers and there were also several fraud incidents committed by group leaders. Most of the information regarding these was volunteered by group members. When possible we tried to confirm the cases from other group members or in some cases from the financial records and a few examples were uncovered through observing the group meetings.

Table 5.12 shows how the misappropriation and fraud cases were divided into cases that related either to savings & loans and then on other issues like charging extra fees from groups. In *Box I* (delivery channel representatives taking loans from groups) there was only one case in this sample, an assistant trainer in Rachuonyo in the groups that had been trained by CARE. She was a member and also an officeholder in several groups that she had recruited for CARE. She was also member of several groups that she had set-up herself. The appropriation cases in which the assistant trainer was involved were fairly large and in total she owed to several groups more than Kshs 200,000. Her case is discussed in more detail below.

Table 5.12. A matrix to structure the appropriation and fraud cases

	Groups' core activities: savings and loans	Other issues (such as fees and the metal box) through which appropriation took place
Appropriation by the delivery channel representative	Box I	Box II
Appropriation by the group leaders	Box III	Box IV

There were seven cases belonging to Box II (representatives of the delivery channels appropriating funds from groups through fees etc.). Five were from Nyamira, involving three of the groups that had been trained and managed by the franchisee channel and two by that of the FBO. In terms of monetary value, the worst case uncovered was when a representative of

⁴⁶ FBO1-N, FBO3-N, FBO4-N, FBO5-N, FR1-N, FR2-N, CARE2-R and CARE6-R.

the franchisee was charging 'registration' fees as well extra-large share-out fees at the end of a cycle and at the beginning of a new one to two groups in the sample. The appropriation cases in the two groups under the FBO were small in monetary terms.

Box III (group leaders taking money from the group through its core activities: savings and loans) has the most appropriation/fraud cases (nine cases). Eight of these nine involved falsification of records, either in the passbooks or in the ledger or both. Four of the cases were from Nyamira and five from Rachuonyo. Of the four in Nyamira, three were in groups that had been trained and managed by the franchisee channel. Of the five in Rachuonyo, all occurred in groups that had been trained directly by CARE, but did not currently have a trainer. In terms of monetary value, these cases were smaller than those where the delivery agent was involved (Box I and II), with the value of the fraud or attempted fraud ranging from Kshs 50 to Kshs 7000.

Box IV (group leaders appropriating funds from the groups for themselves at the expense of group members) involves two cases. In the first, it was reported by a number of members in the same group that the male chairman had received sexual favours from several female members who had not repaid their loans after the share-out. In the other example, the box keeper refused to use a locked metal box arguing that people would know there was money in it if it was moved around, which enabled him to give group funds to businessmen that were not members. The monetary value in both of these cases was substantial (several women still owe to the group 6 months after the share-out between Kshs 4,000-6,000 and some businessmen had not returned Kshs 40,000 for the box keeper on the day of the share-out).

In total, 21 appropriation and fraud cases were uncovered involving 16 groups and table 5.13 lists these cases in red.

Table 5.13. Appropriation and fraud cases

District	Delivery channel/ Group code	Appropriation/ fraud cases	Appropriation by trainer	Fraud by group leaders	Scale of appropriation/ fraud	Did members know about the case	Action taken	Case resolved
Nyamira	FBO1-N	Yes	✓		Small	No	No action	No
	FBO2-N	Yes		✓	Big	Yes	Assets taken from some	Partly
	FBO3-N	Yes		✓	Small	Yes	Leaders changed	Partly
	FBO4-N	No						
	FBO5-N	No						
	FBO6-N	Yes	✓		Small	Yes	No action	No
	FR1-N	Yes		✓	Small	No	No action	No
	FR2-N	Yes		✓	Small	No	No action	No
	FR3-N	Yes	✓	✓	Medium	Yes	Trainer followed up, no results	No
	FR4-N	Yes		✓	Likely big	Yes	No action	No
	FR5-N	Yes	✓		Big	No	No action	No
	FR6-N	Yes	✓		Big	No	No action	No
	CARE1-R	Yes		✓	Big	No	No action	No
	CARE2-R	Yes		✓	Medium	Yes	Leaders changed	Partly
	CARE3-R	Yes	✓	✓	Small	Yes	Leaders changed	Partly
	CARE4-R	Yes		✓	Big	Yes	Leaders changed, money returned	Yes
	CARE5-R	Yes	✓		Small	Yes	No action	No
	CARE6-R	Yes	✓	✓	Small	Yes	No action	No
Rachuonyo	FBO1-R	No						
	FBO2-R	No						
	FBO3-R	No						
	FBO4-R	No						
	FBO5-R	No						
	FBO6-R	No						

The table indicates that none of the groups that had been formed under the FBO channel in Rachuonyo had cases of fraud. At the other extreme, all the groups developed under the Franchisee and directly by CARE had suffered some form of corruption. The cases within the franchisee channel where the delivery representative had appropriated funds through charging groups additional fees were serious, especially because information came to light that appropriation had not only taken place for groups within the sample but also systematically pursued in numerous groups under the franchisee channel. The example where the assistant trainer was at the same time the mobiliser, trainer, group member and group leader and through these positions was appropriating funds was also serious, because she had ended up destroying multiple groups through her action. Also, other similar cases were heard of from other groups that were not part of the sample involving other trainers. In 11 cases, the group leaders were responsible for the appropriation of the funds and in three of these groups the trainer and the leaders were in alliance in appropriating funds.

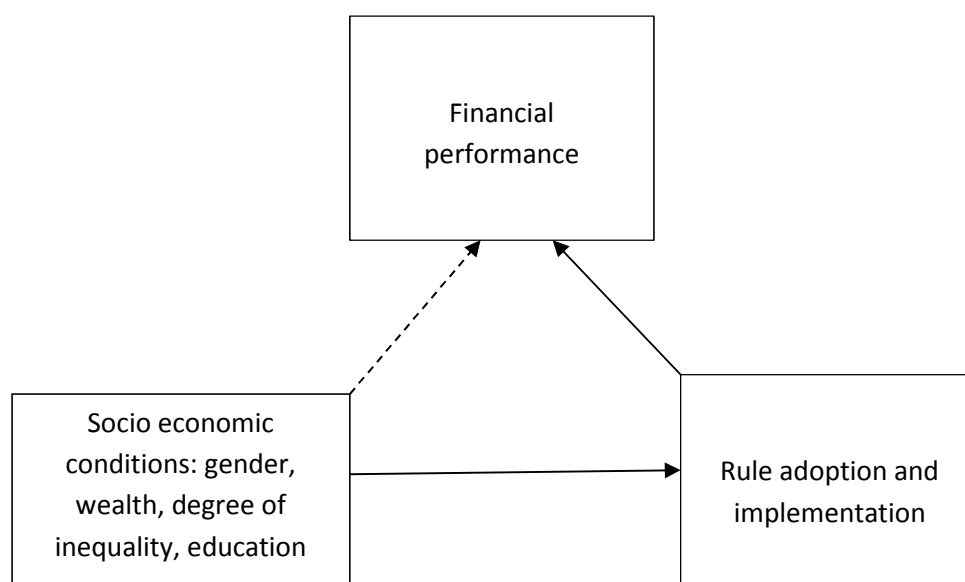
In three of the cases where the funds were appropriated by the delivery channel representatives/trainers, the scale of was relatively large (around Kshs 9000 but in one case up to Kshs 29000 per group), one involved Kshs 5000 (medium) and four instances were quite small (< Kshs 3000). Of the appropriation/fraud cases where the group leaders were responsible, five cases were small, one medium and three relatively big (from Kshs 7000 – Kshs 40.000). In six of these examples the members did not know that appropriation was taking place. In two of these five cases the trainer (or regional co-ordinator) was responsible for the appropriation (and it was in their interest that the groups would not know it). In the three other cases the members did not know that the secretary had falsified the books in order to benefit herself/himself and some selected friends/leaders. Regarding the 10 times where members knew that group funds had been appropriated, six groups attempted to take corrective measures. Four changed the leaders that had been responsible. In one group the chair was convinced to start taking assets and in one case group followed the trainer that they thought was responsible for appropriation but did not get their funds back. One of the groups where the leaders had taken assets did not exist anymore. In one case, a trainer had taken money from the group in order to buy the box and passbooks but had never bought them and when it tried to phone her but she did not respond. The group then made no further follow up. Finally, in one group the leaders and some wealthy members were so powerful that even though the group members wanted to correct the situation, they felt they could not do anything.

The last column of the table 5.14 shows whether the appropriation or fraud cases were resolved. In only one case out of the 21 brought to light had the matter been resolved, with the funds having been paid back and the leadership changed. In four cases, the appropriation case had been partially resolved in the sense that the leaders had been removed, but the money that the group had lost had not been returned. None of the cases where trainer was implicated had been resolved. In all the four cases where the appropriation had been partially resolved and in the one where it was fully resolved, the implicated were allowed to continue to be members of the group, however not as leaders.

5.7. Correlation analysis

This section investigates, first, whether the degree of rule adoption affects the level of financial performance and second, whether the socioeconomic characteristics of groups and their members affect the extent to which the rules are adopted. Third, the relationship between socioeconomic indicators and financial performance is examined to ascertain whether or not there are elements of their interaction that are not captured by the direct measurement of the degree of rule following, but they are, nevertheless, affecting financial performance. Figure 5.5 illustrates the different potential associations that are tested.

Figure 5.5. Schematic representation of relationships between variables



First, in order to examine whether rule following was directly associated with financial performance, a set of correlations was calculated. The tested measures of rule following were as follows: group meeting attendance as a percentage of total group membership; the index of the degree of rule following in the meetings; and the index of quality of recordkeeping developed above. The measures of financial performance are the financial performance index and the loan repayment index constructed above. The correlation coefficients were calculated and tested for their significance.

Table 5.14. Rule adoption and financial performance

	Financial performance	Loan repayment index
Meeting attendance	.54**	.54**
Rule following	.69**	.59**
Quality of record keeping	.43	.17

** . Correlation is significant at the 1% level (2-tailed).

Table 5.14 shows significant and strongly positive relationships between meeting attendance and both measures of financial performance as well as for rule following and both measures of financial performance. However, although positive, the correlations between quality of recordkeeping and financial performance and loan repayment are not significant. These results, therefore, confirm the importance of meeting attendance and overall rule following, but counterintuitively suggest that record keeping is not particularly important. This is interesting for a number of reasons. First, the SG methodology does put a lot of emphasis on the oral and enacted processes involved in the meeting rather than writing. These aspects have been especially emphasised where the methodology originated in Mali and other parts of West Africa where adult literacy rates - particularly among women - are extremely low. Hence, these findings would appear to vindicate the need to prioritise effective oral communication within groups. Second, in this context where records were, it has been demonstrated that the quality of many of the records was extremely poor. However this does not seem to have been a particular problem, thus suggesting that the oral and enacted aspects of the process are able to partially to compensate for this.

The literature review elicited that the socioeconomic differences that may be particularly important determinants of group performance are those of: gender, poverty and wealth, and levels of education. Second, examining whether socioeconomic dynamics according to the different characteristics within groups affect the extent to which rules are adopted, the

correlation between the index of rule following and record keeping developed above and measures of socioeconomic difference are tested using Spearman's rank correlation coefficient. Measures of socioeconomic difference within groups were therefore constructed as follows: first, to test the role of gender, the proportion of male group members was calculated. Second, in order to measure whether the overall level of poverty of the group is important, the mean likelihood of being poor was calculated across all the group members. Third, so as to assess wealth inequality, the standard deviation of the mean likelihood of group members being poor was estimated. Finally, to assess the influence of educational levels, the proportion of members of the group who had completed secondary education was employed. The groups were subsequently ranked on each of these measures as well as on the index scores and then the rank correlation coefficients were calculated and tested for significance. The results are given in Table 5.15.

Table 5.15. Socioeconomic characteristics by rule following and record keeping

	Rule following	Record keeping
Proportion of male group members	.37	.33
Likelihood of being poor	-.07	-.01
Wealth inequality (Std. Dev)	.46	-.11
Education (% with secondary completed)	-.38	-.53*

*. Correlation is significant at the 0.05 level (2-tailed).

The findings indicate that the proportion of male group members is positively correlated with the degree of rule following and record keeping, but the relationship is not very strong and is not significant. This suggests that the proportion of men in groups may not be as much of a negative influence as is often claimed in the literature. The correlation between the overall level of poverty of the group and rule following and record keeping is very slightly negative, which indicates that poorer groups may find adopting rules a greater challenge, but again this result is not significant. When the extent of inequality within groups is considered, this appears to be very positively related to rule following, but mildly negatively related to the degree of record keeping. The fact that these pull in different directions is notable but may relate to similar dynamics identified in the case of education which is considered next. The result for education is negative, but not significant for rule following, whereas for record keeping it is both negative and significant. This indicates that when the proportion of members who have completed secondary education increases, the quality of record keeping falls. This is surprising, as it would be assumed that the better educated people in groups would support greater rule following and record keeping. I will return to this result after presenting the other correlations.

In order to understand whether the socioeconomic dynamics of groups might be associated with financial performance through routes other than rule adoption and record keeping, direct correlations between these two aspects were also calculated, with the results being given in table 5.16. Gender, poverty and wealth inequality are all positively associated, but not significantly so, with financial performance and loan repayment, again suggesting that these differences do not in fact result in deteriorating overall financial performance. However, in groups where at least two of the three group leaders were women⁴⁷, the Return on Savings was 77%, whereas when two were men were leaders it was only 34%, which seems to indicate that having a majority of female leaders might improve financial performance.

Table 5.16 also shows that there is a significant negative relationship between education and financial performance as well as the loan repayment index. That is, this indicates that the higher proportion of members completed secondary education is correlated with lower financial performance and loan repayment. This is somewhat counterintuitive, because it would be expected that those groups with higher levels of education would exercise rules adoption more vigorously, because they would have a better understanding role as well as be able to interpret them appropriately so as to meet the needs of the group than those with lower educational attainment.

Table 5.16 Socioeconomic conditions by financial performance

	Financial performance	Loan repayment index
Proportion of male group members	0.40	0.24
Likelihood of being poor	0.29	0.10
Wealth inequality (Std. Dev)	0.14	0.06
Education (% with secondary completed)	-0.44*	-0.45*

*. Correlation is significant at the 5% level (2-tailed).

So, combining the outcomes in tables 5.15 and 5.16 regarding education, a number of points can be made. First, as was evident in table 5.1., at the beginning of the chapter, the proportion of all members who had completed secondary education was low at on average, only 14.3%, and ranging from 0% to 37%. Given that well educated members in all the groups represent the minority, it could be the case that they are insufficient in number to ensure that the group carries out record keeping effectively. This implies that some sort of threshold should be aimed at so to bring about more effective record keeping and hence, better financial performance.

⁴⁷ The three group leaders were the chair, secretary or box keeper (treasurer).

Second, the record keeping system was not easy to use and later introduction of the passbooks further complicated this process, even for those who were better educated. However, such an explanation seems counter-intuitive because the SG methodology was originally designed and intended to be adopted by less literate and educated people. Nevertheless, these findings show that there needs to be a balance in groups, such that the oral traditions recognised in the SG methodology are kept as part of the rules so as to facilitate effective participation of those less educated.

However, a third explanation is possible and this is that the real issue underlying the education figures can be attributed to the difference in the districts involved. That is, as was discussed in section 5.1, the share of members with secondary education completed was three times higher in Nyamira than in Rachuonyo. Also, on average, the index for quality of record keeping was substantially lower in Nyamira ($M=1.78$, $SE = 0.57$) than in Rachuonyo ($M= 3.40$, $SE= 0.56$) and this difference was mildly significant ($t(19) = 0.59 > 0.10$). Thus, both a substantially higher level of completed secondary education and substantially lower record keeping were found in Nyamira. Similarly, as discussed in sections 5.4 and section 5.5., financial performance and loan repayment performance were substantially lower in Nyamira than in Rachuonyo. However, the above suggested reason for these outcomes that those with higher levels of education could be more capable of corrupting groups might therefore not be the problem, rather an alternative explanation is that the delivery channels in Nyamira were inferior to those in Rachuonyo. These are key outcomes that are explored further in the next chapter.

5.8. Conclusion

This chapter has presented empirical analysis of the quantitative data with the aim of addressing the research question as to whether rules have been institutionalised in the longer term. Specifically, based on detailed information from 24 groups, the focus has been on whether rules were institutionalised and/or whether strong financial performance was maintained. As explained in chapter 3, the sample of groups in this study was supposedly from the best trainers in the two areas. As discussed in chapter 3, the data were gathered during four visits over a period of up to two years after CARE had left the area.

The degree of rule following during monthly meetings was analysed and this was found to be highly variable, but in general the overall institutionalisation appeared surprisingly weak only a

year after CARE had left . In particular, meeting attendance had fallen drastically after this time. It can be concluded that there was relatively high level of rule following during the meetings in some aspects such as doing all the transactions in the front of group and announcing each members' transactions publicly.⁴⁸ However, in several other aspects such as in the use of locked boxes and enforcing fines the rule compliance was much lower, with only about half of the groups following these rules. Given the finding that fines were not enforced as first agreed, it is hardly surprising that members in these groups were poor at making loan repayments by the end of the cycle

The key purpose of institutionalising rules was to retain a level of transparency and accountability which ensured that the funds lent out were repaid and that members got what was their due. The two most concerning areas emerging from the analysis were loan repayment and misappropriation of funds. The fact that in over half of the groups the share-out was conducted before all the loans had been repaid indicates that some of the most important rules had not been institutionalised . Sharing out before everybody had repaid also led to unjust distributional consequences: the members who had fully repaid their loans did not get back all the funds that belonged to them. And the members who did not repay their loans before the share-out, had other people's money in their use all the time. Three of the four trainers failed to intervene when the share-out was being undertaken resulting in loss of savings and distributional injustice for the members who did follow the rules.

The other key area that the methodology overlooked was the possibility of trainers misappropriating funds. Specifically, the rules were intended to prevent the misappropriation of funds by leaders which was found to be the case in 11 groups, but it did not anticipate the extent of misappropriation by the trainers, which was found in nine groups .

Financial performance was also analysed. Regarding ROS, this was very volatile across the sample, ranging from zero to over 100%. Moreover, there was also a downward trend in the average between the first, second and third cycles (from 82% to 59%). Further, several groups did not restart after the second or third cycle. Also, it emerged that there was a fall in the savings levels in the franchisee groups that had the lowest level of rule following.

The analysis showed that socio-economic factors did not appear to affect rule following, record keeping, financial performance or repayment performance. The one exception to this was the

⁴⁸ Because the research team was not present at the time when the groups were trained, it was not possible to assess the rule following compliance immediately after the training and compare that with the level after CARE had left the area.

level of education, whereby a significant negative relationship was found between those groups with a higher mean educational achievement and the quality of recordkeeping, financial performance and the repayment of loans. However, as discussed earlier, there are indications that the region and the training channels in Nyamira also created the problems in financial performance and loan repayment.

The results of the correlation analysis suggest that meeting attendance and rule following were important for financial performance, but somewhat surprisingly recordkeeping seemed to matter less for this performance. For, despite the recordkeeping being poor in several groups they performed well financially, thus suggesting there were other elements of the adopted methodology that compensated for weak record keeping. Rather, the findings suggest that transparency (all the transactions taking place in front of the group, and savings and repayment of loans of each member being publicly announced) was a much stronger indicator of performance. For this meant that members still knew who owed money to the group and how much, even though the quality of book keeping was not so good.

As discussed previously, the best performance was by groups in the FBO channel in Rachuonyo, followed by the CARE channel in Rachuonyo, then the FBO channel in Nyamira and finally the and franchisee channel in Nyamira was the poorest. The lower performance of the FBO trained groups in Nyamira compared to Rachuonyo, raises the question of why this is when those in Nyamira actually have a higher level of education than those in Rachuonyo. Alternatively, it could be the case that there are other factors specific to Nyamira that are responsible for the lower financial performance of groups there. These key findings are explored further in the next two chapters along with investigation aimed at uncovering other reasons for differential adoption of the rules and performance between the two delivery channels and the two regions.

CHAPTER 6. INSTITUTIONALISING RULES: IMPLEMENTATION DYNAMICS

6.1. Introduction

This chapter sets out to examine the process of institutionalising rules in groups by focusing on the way that the CARE and the different delivery channels implemented the methodology through training. The last chapter demonstrated that the most critical issues for group financial sustainability were managing funds effectively through ensuring loans are repaid and funds are not mismanaged. This chapter will therefore seek to understand in greater depth how the trainers implemented the SG methodology and its rules with a particular focus on their role in institutionalising rules on loan repayment. It will also explore the – unexpected role – that trainers themselves played in misappropriation and fraud cases.

In the previous chapter, it was also found that all the trainers had an ongoing involvement with the groups after the first cycle, with their being involved especially in assisting them in enforcing loan repayment and conducting share-outs. This chapter analyses these issues from the point of view of the implementing organisations, delivery channels and the trainers, whilst the next will investigate how the internal group dynamics influenced repayment and in some cases resulted fraud.

In chapter two, Ostrom's design principles for creating successful groups were reviewed. Those needed for institutionalisation of rules are that the participants are able to contribute to the rules or modify them as well as the importance of effective monitoring arrangements, graduated sanctions, effective enforcement of these and local conflict resolution mechanisms. Regarding the role of trainers, section 6.2. will assess the quality of training and the process of developing the constitution. First, the interest here lies in the degree to which they created participatory space for groups to design their rules during the constitution development process. As became clear in chapter five, the trainers were also to varying degrees monitoring the agreed rules and enforcing repayment after the first cycle, even though this was not a role that the methodology assigned to them. Hence, this chapter will also consider the role of trainers in group monitoring and in enforcement. Section 6.3. analyses the role of delivery channels and trainers in misappropriation cases.

This chapter and the next draw mainly on detailed data from eight groups and four trainers. These groups are those for which data are available over the full two years during which the field work was carried out and hence, can offer the most in-depth perspective. They were selected from the 15 groups⁴⁹ that already existed when the research started and four groups were selected from each district, two groups from each trainer. The best group under each trainer was always included as one of those analysed and those that were no longer operating were excluded.

Table 6.1. Anonymized names of trainers and groups⁵⁰

District	Delivery channel	Name of trainer	Group name
Nyamira	FBO	Paul	Amabebe
	FBO	Paul	Etanda
	Franchisee	Jacob	Boburia
	Franchisee	Jacob	Engoa
Rachuonyo	CARE	*Grace	Tumaini
	CARE	*Grace	Kabonyo
	FBO	Timothy	Ongoro
	FBO	Timothy	Awuor

* = the original trainer had left CARE and the assistant trainer, Grace, supported groups when needed

6.2. The implementation of group training, monitoring and enforcement

In order to assess where there were gaps between the methodology and practice, this section discusses the role of trainers in terms of the quality of their training, the development of the constitution as well as monitoring and enforcement. At the same time, consideration is made regarding whether Ostrom's design principles were present during the implementation of the methodology.

⁴⁹ For the number and details in selecting 'old' and 'new' groups see table 3.1.

⁵⁰ For the groups I have used names that other groups in the area use

6.2.1. The quality of training

Training of the 'old' groups had taken place before this research commenced and hence it could not be observed. So, information on whether groups had been trained, for how many days and on what aspects of the methodology were studied by observing the group meetings and by interviewing the group members as well as trainers when they attended. The methodology suggested that the groups were trained over a period of five days before they started operating. The findings indicate that the groups under the FBO channel received more training days than those under the franchisee and those directly managed by CARE. Respondents from the sampled groups explained that the FBO groups received exactly five days training, whereas the directly trained CARE groups received three and a half days on average (with a range one day) and the franchisee groups had two days training on average (with a range of two days) before they started operating. (Engoa, 5, 6; Etanda, 4; Kabonyo, 9, 10,12)⁵¹

The trainers in the other channels expressed their concern that the franchisee channel group training had not delivered effectively and that this was the reason why a lot of the groups had ceased functioning (KI-2). In sum, these findings show that the FBO groups were the only groups that had received the recommended five day training and the franchisee groups undergone the least.

However, the length of training does not alone explain the financial performance. Two of the eight groups were retrained again after the first cycle, i.e. received more training days than the others. One of these two, Etanda, was performing so poorly that the CARE director ordered the trainer to retrain the whole group. Regarding the other group, the first trainer left and so the new one trained the group again (Own observation). However, the retraining did not improve the performance of either of these groups, which suggests that additional training does not necessary help. This ineffectiveness of retraining could also imply that the formation of groups and the quality of the initial training was very important.

⁵¹ Information on this also from CARE2-R,2;FBO6-R, 1; CARE6-R,1;FR4-N,2; FR4, 4)

Another variation (in addition to the number of days spent on training groups) was how many groups were trained at the same time. The methodology suggested that each group should be trained separately, but several franchisee trainers delivered this in clusters. That is, several groups were asked to attend a training site at the same time where they were then given the necessary instruction.⁵² “[The franchisee] discovered the advantages of forming the groups into clusters. This saved time and allowed for much greater efficiency. Her [Franchisee’s] largest cluster has 20 groups.”⁵³ However, the sampled franchisee groups had not been trained in clusters.

However, trainers from the other delivery channels were sceptical about training several groups at the same time. Timothy, the FBO trainer from Rachuonyo noted that he needed to talk to each person in a group and that was not possible when more than one group present.

“If you train clusters, you have to skip some parts. I only train one group at a time, so that I can look at everyone, and even talk to them one on one... I am also asking a lot.. Please talk about yourself, or your neighbour, cousin etc... do you know her, so why do you want to join” (Timothy).

Another trainer said

“It cannot be an effective method to train several groups at once. This is because one needs to show the group what the passbooks are, how to record them. It is advisable to train fewer people at a time” (KI-2).

In the next subsection, the development of a group constitution, especially with the aim of ensuring loan repayment through the enforcement sanctions, is discussed.

6.2.2. Developing rules: the constitution

According to the SG methodology, the development of the constitution was the responsibility of the group and all of the members were supposed to participate in its development in line with Ostrom’s first design principle. The trainer provided each group with a skeleton constitution that consisted of several questions. By discussing and answering the questions the groups agreed the rules each was willing to follow. However, members participation was bounded in

⁵² The monitoring of groups also took place in clusters.

⁵³ The reference material is not being disclosed, because although it is in the public domain, it would directly connect my actors whom I have anonymised .

the sense that several of the key rules were already set as a mandatory part of the methodology and hence, in these areas there were no questions, just instructions on what the group must do. Most of the questions that they were encouraged to provide answers for were not the most critical for group survival, such as for example, how much members should pay as a fine, if they arrived late to the meeting or if they did not attend at all.

Regarding the most critical aspect of the survival of the groups, i.e. whether the group was able to ensure that loans are repaid, the methodology provided clear technical guidance to the group leaders on how to deduct late loans from members savings. Regarding which the methodology handbooks noted:

“If any member owes the Association money (from loan arrears), the shares equal in value to his/her debt are cancelled in his/her passbook. In this way the defaulting member is penalised, because the cancellation of the shares means that he/she will not receive the profit on those shares, but only on the number of shares remaining. By this time it is too late to make up the arrears, because money paid in the last meeting cannot be borrowed and will only unfairly serve to increase the particular member’s share of the profits if it is paid in at the last minute” (Allen and Staehle 2006, 78).

However, the more difficult part, on how to ensure that members actually repaid on time was left in the constitution for the groups to decide. Groups were asked to discuss among themselves what action to take when someone did not repay on time and the skeleton constitution asked the groups to answer the following questions on this matter:

- “What will happen if a member does not repay a loan?
- After how long should the Association consider that a loan is unlikely to be repaid and begin recovery action against the defaulter?” (Allen and Staehle 2006, 47).

However, several groups had not discussed what they would do if someone was late with their repayment. This will be discussed in detail in the next chapter. This subsection probes why CARE and the trainers did not ensure that rules on sanctions and enforcement were properly discussed and agreed upon.

CARE project director explained that since the SG methodology did not prescribe what to do with late repayers, the organisation also did not want the trainers to put forward any practical methods regarding this. Another reason for not prescribing what to do was the fact that

according to the project director, CARE had not previously encountered cases where members were late with their repayment.

“During our stay there we did not have cases where people stayed with loans for more than 3 months. It is first after we had pulled out, when there were these cases where members defaulted (i.e. kept loans for more than 3 months). We did not confront that reality because default was not there” (CARE project director).⁵⁴

The training of trainers (TOT) was rather negligent in discussing how the trainers should guide the groups on how to handle late repayers. Hence the trainers were ill equipped regarding the strategies that groups could engage in if members did not repay all their loans before the share-out. When one of my key informants, another FBO trainer from Nyamira, was asked whether during the training of trainers the issue of how to deal with late repayers was discussed, her response was:

KI-2: “Yes, we were taught about defaulters. We were told to inform the members to get to know each other well, love each other.

Interviewer: Did you mention the possibility of requisitioning the assets of defaulters?

KI-2: We were not told about that” (KI-2).

Trainer’s response that group members needed to “love each other” clearly indicates that the way that trainers approached the subject did not at all address the potentially difficult issues that might be involved in ensuring the members’ paid. Indeed it suggests that the reality of these dynamics was subsumed in a discourse of unproblematic support and co-operation. .

However, Paul , one of trainers that CARE had selected for us, who was also under the FBO channel in Nyamira, claimed that during the training of trainers the issue of late repayment had been discussed. According to him, the issue of how to enforce repayment had covered the possibility of taking assets. But then again, the franchisee owner also claimed that when trainers were trained, neither enforcement nor the possibility of taking assets had been discussed (Paul, Franchisee owner).

This indicates that the issue on how to deal with members that did not repay their loans on time was not a central part of the constitution at least in Nyamira or alternatively, as suggested

⁵⁴ Even CARE’s own MIS showed that not all loans were repaid even during the first cycle.

above, some trainers during their training were not sufficiently informed about the real challenges that the groups might face.

As a consequence, several of the trainers in Nyamira were not well prepared to provide guidance to groups that had problems with repayment.

“When we trained them, we advised them to take loans that they will be able to repay since most the members requested huge loans to pay school fees which they could not afford to pay back. We did not specify what they should do if one defaults” (KI-2).

As in Rachuonyo one of the trainers had already left the area before the research started, it was not possible to confirm how she had trained the groups on enforcement of late loans or whether she had raised the possibility of taking assets. By contrast, Timothy, the FBO trainer in Rachuonyo, followed the SG methodology and insisted that groups answer the question on what they would do if a member did not repay on time. Initially, he also claimed that the groups were willing to confiscate members property if they did not repay on time.

“It was the group [that came up with the idea of taking assets]. In the skeleton constitution of the group, it was like if a member does not pay the loan within this period of time... it was left for the group to fill in. So, I believe that all the groups that were under CARE filled in the gap. In my groups, they said if one does not pay the loan within the three months, then, your property which is equal to the loan will be taken and auctioned to pay for the loan. If that part [of the constitution] was not filled in and it was not clearly stated that you will have your property auctioned, the group would not have gone far” (Timothy).

However, subsequently it became clear that Timothy had not just ensured that group members discussed what they were willing to do when someone did not repay, for he had also insisted that they should take assets from them if they did not so. In addition, he promised that he would lead the group when they if they needed to confiscate property.

Interviewer: “Did they come up with the idea of auctioning or are you the one who told them?”

Timothy: I was just preparing them that they should not default. What I discovered with this product is that we were using scaring theory; if you default, this or that may happen to you. Practically, some of the things would never be done. I was just instilling in them to work hard to pay the loans. This is because at

the back of their minds, they remember that the trainer said that if I default, he [the trainer] will be the one to lead delegation on when things are to be auctioned.

Interviewer: Even though you would not do that, would you [because trainers are not supposed to help the groups for a long time]?

Timothy: Yes, even though I won't do it, I do tell them that I will be the first to lead the delegation. If anything will be auctioned, I will be the one responsible in that case. This tactic worked well for my groups" (Timothy).

By promising that he would assist the group in enforcing the repayment, he had effectively taken the responsibility away from the group leaders, although he expected that they later would lead the group.

However, as the following quote from a group member indicates, members rather waited than took quick action:

"Since we knew the defaulters' situation, rather than trying to take assets we decided to continue talking to the defaulters. We knew that the main problem was that they did not even have food and children were in the school, so they had to pay school fees. Hence we did not want to be too harsh" (Amabebe;3).

Trainers and also CARE knew about this local norm that emphasized "sympathy" towards the members that were late in their repayment. Since the trainers were also from the same communities, most of them were also in agreement with this norm (CARE director and Jacob). Hence it was understandable that they had not pushed the members very hard to discuss the possibility as a last resort to take members assets in order to recover the defaulters loan.

Shipton (2007) claims that there is also another norm that explains poor repayment. According to him loans among Luos and their neighbours (like Kisiis) are open ended, people are not going to repay until the group knocks on defaulters door. As noted above, leaders did not push too much to make members pay. Neither did trainers push members hard to repay in the middle of cycle.

"CARE teaches[that] after 3 months assets should be taken[from members that have not repaid] , but people have sympathy they wait until end of cycle. [Members have sympathy because] these defaulters did not run away and that they are willing to repay" (Paul).

When members did not run away and were willing to repay (but often unable) the groups viewed the non-repayment as delay rather than default.

The findings so far have indicated that only the FBO channel trainers had made sure that groups discussed the enforcement methods. It is interesting that when group members who had properly talked about these methods were asked would should happen if loans were not repaid on time, several were of the view that assets should be taken. According to one trainer, some groups might have adopted this position from microfinance organisations that were also operating in these communities. “We were not taught by the CARE Group about that. However, members borrowed the idea of holding assets from the Bank Groups” (KI-2).

The methodology aimed to increase members’ ownership of group rules by encouraging them to participate in their design. Nevertheless, as pointed out above, this participation was bounded in the sense that several of the key procedures were non-negotiable. Whilst the methodology did encourage the groups to decide on the most important matter for group survival, how to ensure the repayment of loans, the fact that the majority of the groups did not include any rules in the constitution on how and when to enforce repayment indicates that it was very problematic because it meant having to accept the possible eventuality that the group would have to take members assets in order to recover the loan. Most trainers failed to take up the responsibility of following up whether the groups had discussed this issue and arrived at a consensus on what they would in these circumstances do.

In groups where the trainers had not actively followed-up that the enforcement issue had been discussed, groups had not agreed on any rules to be included in the constitution. Ensuring that the trainers follow-up on groups would have been the responsibility of CARE. However the fact that CARE claimed that they had not experienced any default in the groups is somewhat surprising and suggests a lack of understanding of the weakest link in microfinance and in these kinds of groups in particular of the difficulties and dynamics of loan repayment and makes it more understandable that CARE was not active in this regard.

Only in the groups that Timothy had trained, had the groups written in their constitutions that the assets of members would be confiscated if loans had not been repaid after three months (Copies of the constitutions). However, it was certainly easier for his groups to include such a statement in the constitution, because he had promised that he would be “responsible” if assets had to be taken and auctioned. Of course, this also meant that the effectiveness of these groups operation was dependent on him. As will be discussed later, Timothy’s promise to “be the first” to enforce repayment worked when he was still assisting the groups, but problems

arose when he no longer visited them. This meant continuing problems on how to ensure repayment, because the groups had not come up with their own ideas on how to enforce repayment and they did not hold to the "foreign" (Boettke) idea of taking assets.

This section has shown that it was in the main the trainers that introduced a blue print of rules and members did not really participate in the crafting of rules. The only area where groups decided rules was the amount of fines. However, most of groups did not discuss and agree on what sanctions should be applied to members that did not repay on time.

The skeleton constitution did not suggest any ways that local and permanent conflict resolution mechanisms might be deployed, which, as pointed out earlier, is one of the Ostrom's design principles. Nor had this been done by any of the trainers or groups. Most of conflicts that the groups had were related to repayment of loans and to misappropriation cases. However, the fact that this design principle was missing from the SG methodology highlights that its assumption that the groups themselves would be able to resolve their conflict was probably misplaced and this will be further discussed in a subsequent section as well as the next chapter. Next monitoring and enforcement by the trainers is discussed.

6.2.3. Monitoring by the trainers

This subsection focuses on the degree to which trainers involved themselves with groups in relation to the monitoring. The methodology advised that after the five days of initial training the trainer should visit each group for which he/she was responsible 10 times before the end of the first cycle. During the last visit the trainer was expected to conduct the share-out calculations and assist the group in distributing all its savings and profits (i.e. interest) (Allen 2011). However, the franchisee acknowledged that trainers under their channel had reduced the monitoring/follow-up visits from 10 down to four. "She [the franchisee owner] has reduced the training time during the first cycle to a total of [four], three observation and support visits, and one visit to help with the share-out."⁵⁵ We did not collect systematic data from other channels on how often the trainers visited the groups during the first cycle.

The SG methodology further suggested that after the first share-out the groups would be able to handle all their affairs on their own and thus, the trainer would move on to train new groups, and hence would not visit the groups anymore. However, all the three trainers that stayed in

⁵⁵ The reference material is not being disclosed, because it would directly connect my actors whom I have anonymised.

their respective areas (out of the four trainers that were in the sample) visited the sampled groups also during the second round at least twice. The assistant trainer that had replaced the CARE trainer in Rachuonyo also visited several of the sampled groups during the second cycle (Own observation, Jacob, Paul, Timothy, Awuor, 1,8; Engoa, 2). For Paul and Grace, it was easy to visit groups because many of them were within walking distance from their homes. Jacob and Timothy visited sampled groups that were further away, with the latter only going when invited and they had to pay his transport (Kshs 200) as well as provide lunch. Jacob reported that he visited second cycle groups while training new groups in the same area (Jacob). The primary interest for trainers attending groups during the second and third cycle was to be able to conduct the share-out at the end, because groups were willing to pay them for conducting the share-out. In the next chapter, there will be detailed discussion regarding why most of the groups expressed the view that even during the second cycle they needed someone to assist in the share-out calculations.

During the third cycle, both the FBO and franchisee trainers in Nyamira visited one of two groups that they had trained in the smaller sample of eight groups. However, the FBO trainer in Rachuonyo did not visit the groups during this cycle. This suggests that there does not seem to be a direct relationship between the number of visits and the performance of the groups, for his groups were still performing well in the third cycle, whereas the two former groups under Jacob and Paul in Nyamira did not perform well in latest cycle (Own observation, Timothy, Jacob).

There are indications that more important than the number of visits was what the trainer did whilst there and whether they insisted that certain key rules were followed. Regarding the first matter, the FBO trainer in Rachuonyo inspected the groups' records during visits, whilst the FBO and franchisee trainers in Nyamira did not do so (Own observation). It is clear that the trainer (Timothy) who was really following up and checking that the records were in order was having more effect than other trainers who turned up but did not check the books.

The trainers did not usually involve themselves in changes in group leadership, with only the FBO trainer in Rachuonyo suggested to the groups that this should happen if they had not followed rules. Even during the second cycle he ensured that those responsible for this occurring were changed:

Timothy: "We never thought that she will be a chronic defaulter. In the first cycle, she acted very well but in the second cycle, she started to default. This did send a very bad signal to the members. We talked with the group.

Interviewer: Without her knowing!

Timothy: Yes, without her knowing. We discussed that for the group to sustain, we needed to have another chair. I told them that in a group of 30 members everybody can be trained to be a chair or a record-keeper except those who cannot read and write, since they cannot be record-keepers.

Interviewer: How could you have a meeting without the chair?

Timothy: It was not in the meeting; it was just outside [of the meeting]"
(Timothy).

This quote shows that Timothy invested a lot of energy into politicking to ensure that the leader was changed and it also illustrates how an initially responsible leader can quickly become irresponsible. In this group, the members needed a lot of encouragement to usurp this chairwoman from the trainer, because she had been proactive in forming the groups and was also influential in the community.

To conclude on monitoring, even though Paul, Jacob and Grace turned up in groups during the second and sometimes during the third cycle at the time of share-out, this does not mean that they were actively monitoring the rule following. The primary reason to be there was to conduct the share-out regardless of whether everyone had repaid and earn some money from that. That might have been also one of Timothy's motives, but through inspecting the ledger books and observing the group meetings and noting inconsistencies with the methodology he was actually monitoring the rule following. Next subsection discusses enforcement of repayment by trainers.

6.2.4. Enforcement of repayment by trainers

As noted earlier, the research team was not able to observe the trainers' actions during the first cycle, but first during the second and third cycle and there were variations in the methods that the trainers took in enforcing repayment. The assistant CARE trainer encouraged members to repay their loans before the share-out, but if they did not, she just encouraged the other members to wait. She also conducted the share-out even though some members had not repaid (Own observation).

Similarly, the franchisee trainer encouraged members to repay before share-out, but did not want to be involved in enforcing repayment, but rather, left it to the groups. Nor was he involved in negotiations where the groups were trying to make defaulters repay. He did not

want the latter to think that he had encouraged the groups to recovering their assets. “I am is not an advocate of taking assets... I am also at risk as trainer, so I don’t propagate, they might do something against me” (Jacob, own observation). That is, this trainer felt that it was better for him not to be active in the field of enforcement so he could move around freely without fear of reprisals.

Only the FBO trainers, Paul and Timothy, had during second and third cycle advised and assisted groups in negotiations with members that had not repaid their loans. However, in most of the cases Paul had also left the enforcement of loan repayment to the groups. Nevertheless, there is evidence from one case where he had advised the group about what action should be taken when members that were not willing to repay their loans and had also joined them when they went to negotiate the collection of assets from one group member. While the group was negotiating with the defaulter what he would be prepared to give to the group, Paul insisted that the leaders to do the talking while he stayed on the side. However, Paul did not help another group in the sample even though they had much more severe repayment problems, which was because the leaders had not asked him to intervene.

Timothy was the only trainer who had a progressive process of enforcement that consisted of several options. He encouraged the group leaders to start contacting the defaulters early on to remind them that they had signed that they would repay and he also called them himself. As explained above, he had told to the groups that he would not carry out the share-out calculations before all the members had repaid their loans. In the cases where the groups were not able to enforce repayment before the share-out, he was very proactive in galvanizing the group, by taking action as advising the leaders on how they should proceed to ensure the loan was repaid in some way. He usually reserved a whole day for ensuring that all the loans were repaid and for the share-out calculations, stayed with the group members and advising the leaders on the next steps to take. However, he did not participate in the actual negotiations regarding the assets that the defaulter might want to give to the groups. I observed two occasions when Timothy advised the group leaders, and how then the whole group together with the village elders went to negotiate with the defaulter what the group could get in recompense for the loan (own observation). The fact that he was sitting with the whole group advising them on how to handle the default cases, appeared to give them the impression that he was there to support them and that it was right that the money had to be returned or goods in lieu of repayment. When preparing the groups to go and talk the defaulters, he emphasised that the purpose was not simply to take assets, but rather, to ask the person who was not able to repay what they would be prepared to give to the group.

“I prepare them that there is always a fine everywhere. If members will be going out to talk to the person [defaulter] , they will request them [defaulters] that since you were unable to repay the loan in the required time, please give us something so that we can resell and repay the loan. This has worked as many people will tell you that this is the thing that I have that can get sold. It is the defaulter who gives the group the property that you have that can be sold. You [the people demanding money] do not go there as an arrogant person and start taking the assets. No! You go talk and ask the person what he has to give you. In most cases, they will give something, but in some cases they will not. If he/she refuses to give you something, that is when some little force will be used to take this thing and repay our money. Remember, they cannot take something if the member is not present” (Timothy).

Chiefs are part of the local administration in Kenya and are sometimes asked to assist microfinance organisations, in particular, obtaining assets from loan defaulters and using them was also an option for Timothy, as a last resort, if the debtor was not willing to hand anything over. However, this option had not been noted in the group’s constitution.

“If there is resistance, then we involve the chief... In the passbooks and record books they have signed that they owe [to the group] so there is evidence. But involving the chief is expensive, so we don’t [usually] involve them”(Timothy).

However, chiefs were usually considered expensive, because they normally expect to receive half of the recovered loan amount (KI-4).

Timothy claimed that the groups have to be very strict with members that do not repay on time.

“In some regions, most of them [groups] are non-existent. You will find out that the major problem is that some of the money was not returned in good time and hence, the faith of members went down. The members will ask why they should continue when we are very aware that our money will get lost. They will say that they want to continue and yet we are looking for nearly Kshs 200,000 which is out of the group that has not been returned. They fear for the safety of their money; they see people who are conmen in these groups. They see that when they save and loans are given, during the time to return the loan, it becomes a nightmare; for the group members, teachers and for everybody” (Timothy).

In this quote, Timothy claims that there are whole areas where Savings Groups do not exist anymore because neither the trainers nor the group leaders had been strict enough with enforcing loan repayment.

Timothy also insisted that CARE should have permanently stayed in the area assisting the trainers and groups in enforcement.

“In share-out they always need us there, at least to oversee.. so that we can intervene if there is a problem. There is big money, only 1-2 members have an idea of the formula, all the others are in darkness, so don’t you see that we have to be there, because members can get scared and conned. We have record keepers that can do it, but since members don’t understand they suspect leaders will take some money and that is the reason why we have to be there”(Timothy).

Here again, Timothy is expressing a very clear understanding of the consequences of not following the methodology and the difficulty of getting it to work without external enforcement, because of internal group dynamics.

“The groups that are still attached to the trainers who formed them are ongoing well, but the groups that were formed and their trainers have left the village for different reasons, are not doing well. This then calls for an office or a permanent person who will manage the groups, then we will go to another level” (Timothy).

These quotes also hint at the fact that trainers knew that their authority was diminished after CARE had left the area and that the local CARE office was not any more available to support them.

To conclude, the trainers in two delivery channels, the direct CARE and franchisee channels, played a very limited role in following up defaulters and certainly never went as far as Timothy did in encouraging the groups to visit the homes of defaulters to negotiate with the defaulters what they were willing to give to the groups in return for the loan that the defaulter had received. In three out of the four groups under the FBO channels the trainers had assisted in asset negotiations and defaulters had actually given some of their assets to group to sell the asset to recover the loan. Regarding the fourth group, the leaders had mismanaged the group fund and so did not want the trainer to be involved, and Paul who had trained the group only intervened after the group’s new leaders invited him to do so.

The findings indicate that the trainers' role in negotiating asset recovery was central. Regarding which, at the time of second or third share-out when asset recovery had been negotiated from members that had not repaid, the trainer had always been present. Asset recovery negotiations had been institutionalised only in one group out of eight in the sense that its members were willing to negotiate with the late repayer even if the trainer was not present, but this only took place for the first time at the end of the third cycle.

There were also major differences with regards to how the trainers performed the share-out. As pointed out above, the FBO trainer, Timothy was also the only one insisted that all the loans had to be repaid before he was willing to perform this task. Moreover, if there were some members that had not repaid, he enforced rule following by asking the group to negotiate with the defaulters what assets they could give and sell them. Even after he stopped attending the group they continued to carry out the share-outs according to the methodology (Own observation). The fact that this trainer provided ongoing support during the first two cycles on the enforcement of rules and more specifically, insisted that all the loans were repaid before the share-out, had clearly helped to institutionalise this practice and both groups shared out first after everybody had repaid.

As mentioned above, when Timothy did not have time to visit a group in person he still tried to make phone calls to defaulters so as to convince them to repay before the share-out. "I always engage into a phone call with the defaulters. I believe that if I talk to him or her, they may see the light"(Timothy). Grace, the other (assistant) trainer from Rachuonyo, was towards the end of field research already so mistrusted that her groups did not allow her to conduct the share-out.

The FBO and franchisee trainers in Nyamira performed the group share-outs even if not everybody had repaid their loans (own observation). The former knew the SG methodology for carrying out the share-out, but after CARE had left he listened to what the group wished.

"I suggested that I would calculate the normal way when they have all paid but they thought that it would take time and the group members wanted to have their money" (Paul).

Jacob, the franchisee trainer, also knew how to perform the share-out according to the methodology, but he claimed that he did not have enough authority to enforce the members to repay.

“It is like taking a cow that is not thirsty to the river. You can’t force it to drink. If the defaulters say that in one month or in two months I will repay and if the members agree, then the trainer can’t force them” (Jacob).

When asked why members were not willing to take assets, this trainer responded

“Most people are related and from the same village. So how can you go to uncle’s house and take an asset from there and that is where you are going to sleep one day” (Jacob).

Jacob claimed that he had tried to monitor that the SG rules on loan repayment were being followed. However, according to him members got tired of waiting especially when they felt that they could not take assets from their relatives. He encouraged them

“to go and get at least more money so that I can do the share-out, but the group said, no, no, just do the share-out with what little money is here and so I did it. People did not want to wait anymore so that everybody would bring the money back, they wanted to get at least something” (Jacob).

Here, Jacob’s enforcement consisted of encouraging the group to ensure that as many members as possible had paid, but he did not want to use any more forceful methods.

It is obvious from these quotes that Jacob and Paul did not enforce rules after the first cycle, whereas Timothy continued to do so. As Jacob noted, he felt he did not have “authority” to enforce rules after CARE’s departure. One reason why Jacob and Paul had less authority than Timothy was that they were younger and only form four school leavers, whereas he was a church elder in one of the major churches in the area. Timothy had also previously worked as a voter registrar and at the time when CARE was leaving the area, he was nominated as the assistant chief for his area. All of these factors increased his authority when compared to Jacob and Paul.

To conclude on monitoring and enforcement, in chapter five it emerged that all the groups had experienced difficulties in loan repayment except those under the FBO channel in Rachuonyo. This section has investigated these difficulties with the help of Ostrom’s design principles in terms of assessing how far the methodology, especially that pertaining to loan repayment had been institutionalised and if not, why not.

It emerged that constitution development was weak in most of the groups, which left them feeling that they did not know how to get overdue loans back nor how to carry out the share-

out. The fact that the franchisee groups were monitored less frequently during the first cycle might have led to their weaker performance and more group deaths in that channel. The findings also revealed that the institutionalisation was dependent on the external party, the trainers, which is not something that the methodology catered for, because the expectation was that groups would have taken charge of enforcement after the first cycle. The three original trainers that remained in the study area continued visiting the groups also during the second cycle and two trainers also attended during the third. However, the visits mostly took place at the time of share-out because the trainers wanted to get paid for their visits and most groups were willing to pay something for the trainers when they did the share-out at the end of the second and third cycle. Jacob, Grace and also to some extent Paul, did not want to get involved fully in enforcing loan repayment. In Jacob and Grace's groups the institutionalisation of the expected rules was weak, this was slightly stronger in Paul's groups. Timothy was the only trainer who was strongly enforcing repayment and perhaps unsurprisingly, his groups were ones that were the strongest.

The findings indicate that rather than the number of visits or the duration of contact between the trainer and the group being salient, what was more important was what happened during these visits. Timothy's impact was much bigger than other trainers, because he inspected group records, enforced repayment of all loans before he was willing to conduct the share-out and even ensured that badly performing leaders were removed. The franchisee trainer had indicated that they believed they did not have enough authority to enforce rules and the assistant trainer in Rachuonyo did not even try to enforce any rules. By contrast, Timothy and also to some extent Paul were able to institutionalise these rules themselves. Especially Timothy's ability to do so appears to be dependent on their own status and level of authority in the community.

It seems clear that the methodology did not anticipate the ongoing relationship between the trainers and groups. Even though the institutionalisation that Timothy provided was not part of the (ideal) methodology, (because after the first cycle there were not supposed to be external parties involved), nevertheless CARE was very proud of Timothy's performance. But as the discussion has revealed, all the trainers had a continuing relationship and as will be seen in the next section, not all of these relationships were to the advantage of the groups.

6.3. Misappropriation of group funds by the trainers

This section investigates the role and impact of the delivery channels and trainers regarding the misappropriation cases that involved them.⁵⁶ In table 5.12 a matrix was presented that identified to categories regarding the misappropriation and fraud cases by the delivery channel representatives and trainers. First, there was a case where the delivery channel representative took loans from groups but did not repay them. Second, there were incidents where the trainers appropriated funds from groups through charging fees that were not part of the methodology or through collecting money for the metal box but not delivering it. The next subsections discuss these in turn.

6.3.1. Misappropriation of funds through loan taking

In Rachuonyo, the CARE trainer had trained six groups out of the full sample of 24 but had left after the first share-out. In order to ensure that someone was available to support the groups and observe performance, the regional CARE office had nominated an "assistant trainer" and asked her to provide support to the groups in the area if they so wished. Initially, this assistant trainer, Grace, was a group member, but then began to mobilise new groups for the CARE trainer and through this process was seen by CARE as an able person who could also train others.

However, while recruiting and assisting groups, she also became a member in numerous groups, took large loans and did not repay them, which led to groups collapsing. She was also secretary in many groups and through falsifying the records was able to profit from her participation in them. Respondents also reported cases where she had been money keeper before the share-out, but when it was time for this she was not able to return the money (KI-3).⁵⁷

⁵⁶ This means that this section will discuss all the misappropriation cases not just the misappropriation cases in the sample of eight groups.

⁵⁷ In addition to this one case, the research team found two other cases where the representatives of the FBO channel in Nyamira had abused their power by borrowing from the groups and not repaying. The two other involved groups were not part of sample. Hence we do not discuss them further evidence here. However, these other cases suggest that such incidents were not isolated.

Another trainer working in the area reported that Grace started mismanaging the groups once the supervision from CARE was no longer present.

“...it is not only in Tumaini groups where some group officials are messing the groups, when they have realised that there is no supervision, when the supervisory body is gone [i.e. CARE], they do it in their own way. They leave the standards of GSL and “mess up” the groups. Grace [assistant trainer] knew that groups can’t go to anybody and that is the key challenge. There is no supervisory body now. Even if Grace takes three loans in one meeting, they can’t question that” (KI-1).⁵⁸

This trainer had also been asked by CARE to inspect the records of one group where Grace was the secretary and noted that members could recall that she had topped up her loan of Kshs 13,000 with another Kshs 8,000, but there was no record of it (KI-5). Grace was the money keeper in several groups before the share-out was conducted and one was supposed to perform this task, she did not bring back Kshs 40,000 that had been entrusted to her. Members kept their loans because they realised that there was no one to enforce the rules. As one said: “We cannot take assets from her [assistant trainer] because she does not have anything in the house” (CARE 3 R, 5). Other instances were reported by local chief (KI-1, KI-3).

Members were very unhappy and disillusioned when they realised what their trainer was doing:

“If Grace [assistant trainer] does not pay, we will not pay. She is our Mwalimu [teacher] and then she is the bad one, that is really bad. We do not know what she does with the money and we are asking for help from the [CARE] office. We were happy with the group at first but now we really need help as groups” (Tumaini, 5).

The key informant reported that everyone “hates” the assistant trainer. However, he also noted that

“The level of transparency is not so high, even herself she [Grace] feels that she is not alone because others have also taken money, she thinks even if I have eaten, others have also taken” (KI-1).

⁵⁸ According to CARE rules a member cannot have more than one loan at a time.

The trainer working in the area explained that the members that were unhappy with the groups were the "lowest class" and those that try to protect themselves because they had taken money from the group were the most powerful in the community (KI-1).

According to the trainer from the area, the reason why Grace and a few other influential members had set up so many new groups instead of saving more in the existing ones, was that when they were unable to get money in group A, they could go to group B, and when there were no longer funds there, then they could go to groups E,F etc. "Even though most of the members are the same, there are some new faces that will save and increase the group fund so that the old members can take new loans" the trainer explained (KI-1).

By 2013, none of the eight Tumaini groups that Grace had 'supported' were operational and one of these was in the eight sampled. The area chief reported that Grace had been in addition to the eight Tumaini groups also a member in at least 12 others, in many of which she was the secretary or treasurer and she had also taken out big loans that she had not repaid (KI-3). Grace acknowledged that she had loans from several groups that she could not service. However, she did not acknowledge that she had appropriated group funds through falsifying records or keeping money before the share-out and not being able to return it (Grace).

Unlike the SG methodology suggests, she asked all the members to leave the room before she made the share-out calculation with the other leaders, as one of the group members explained:

"Grace forced the members to leave and she remained with the group leaders. Afterwards, a deficit of Kshs 2,000 was realised and nothing was explained. Therefore, during the second share-out, we requested Amos [CARE director] to be present. He observed everything that took place and he queried and quarrelled with Grace and her team.

Interviewer: When the group members were forced to leave, why didn't anyone object?

Respondent: We had nothing to do since she had supremacy over us. We even tried to withdraw our shares, but they hindered us. When Allan [regional project director] arrived and found us locked out of the meeting hall, they started questioning us. We told them that Grace told us that she was trained that no members should be present when doing calculations on profit share-out. We all got confused. After the officials locked themselves inside, they only told that they

have tried to know where the cash was but it was never found. We just went although we gossiped about them; we had nothing to do” (Tumaini; 6).

The comment that “we all got confused” illustrates how easy it is for people to be persuaded that their understanding of the methodology was incorrect when someone appears to have legitimacy, in this case from CARE.

On several occasions, the group members tried to take away Grace’s assets, but they had not been successful as she had managed to conceal them. The chief had also tried to get assets back from Grace. He had written several letters to her and also tried to visit her at home, but she was never in. In addition, the chief could not find anything that could have been sold (Tumaini, 6; KI-3).

Analysis

Grace, the assistant trainer, managed to misappropriate hundreds of thousands Kenyan shillings from the groups. She derived her legitimacy and power over groups from her association with CARE. Specifically, she had trained many groups together with the original CARE trainer and had been seen moving around with CARE project leaders (KI-1). Moreover, she gained trust through mobilising and being a member in most of the groups in the area where she lived. Further, there was a local norm that leaders were respected. As one of the key informants noted “in our culture if you are a leader, you are given respect” (KI-1). Hence members believed in her integrity when for example she insisted to it was the rule that before the share-out that all the members had to leave the room whilst she made the calculations. However, Grace lost her legitimacy very fast when she was not able to repay her loans and members suspected that she had falsified records. Her reputation worsened further when they saw that she did not return the funds that she had kept as money keeper before the share-out.

As indicated, the CARE project director had visited the area and had tried to discipline Grace, but had clearly not been able to sort things out. This was partly because she was not an employee of CARE and so the organisation could not sanction her. Another reason was, that at the time of disciplining Grace CARE had already closed down this project and did not have much time to deal with this one since it had new projects. If CARE had bothered to take her to court, they would probably have been as unsuccessful as a local chief who tried to do so, but every time he attempted to present a court order she was either not at home or pretending to be out.

6.3.2. Misappropriation by charging fees

Regarding the second category of misappropriation, charging fees from groups that were not part of the methodology, there were seven cases in the sample: five in Nyamira and two in Rachuonyo. In Nyamira, three of the groups had been trained and managed by the franchisee and two by the FBO channel. The two cases in Rachuonyo where the misappropriation had taken place were in groups that had been trained directly under CARE. In terms of the monetary value, the biggest cases were the two groups where the representative of the franchisee was charging "registration" fees. The other appropriation cases were relatively small in terms of monetary value. In what follows, to begin with the smaller misappropriation cases are considered and after that the focus is on the bigger cases where "registration fees" were charged. In the bigger cases the share-out fees are first discussed followed by "registration" fees that the franchisee channel regional coordinator collected from groups in the beginning of every cycle. Then the views of the franchisee and CARE on registration fees are presented and this section concludes by analysing how and why the franchisee channel coordinator was able to charge from groups so much.

6.3.2.1. 'Smaller' misappropriation cases by charging fees

Before moving to the biggest misappropriation case, few smaller cases are briefly discussed. The following cases are significant in the sense that they indicate at least part of the rationale for trainers continuing involvement with the groups: additional opportunities to misappropriate.

There were four cases where the delivery channel representative had collected money from groups to buy a metal box, but had not delivered it. In three of these cases the franchisee channel was involved and in one the direct CARE channel. (Kabonyo,6; FR4-N,2; FR5-N,1). There was also a case where a trainer charged existing groups training fees for new members but did not deliver the training (FBO1-N,1). In another group (CARE5-R), an assistant trainer insisted that he undertakes the share-out calculations and did it and the group paid him something, even though the group did not want him to do calculations. Further, there was one case, where it was unclear whether the trainer was involved in the appropriation of funds, for according to the group concerned, he was, but he denied this. This group (FR3-N) made a partial share-out in August 2011 at which point in time twelve members had not returned a total of Kshs 112,000. Hence, the group chairman asked the franchisee to assist in getting the loans back from the biggest defaulters. The franchisee had asked assistance from a private auctioneer

with the recollection of loans. Auctioneers take on the role of debt collectors and are sometimes employed by microfinance organisations to pursue debtors. The auctioneer along with the trainer, approached one defaulter, who gave them Kshs 5,000 as a partial payment of the loan that should have been returned to the group, but that money never arrived to the group. According to the chairman, the trainer had acknowledged that he received that money and when the matter was discussed with him, he denied taking it, saying that the auctioneer was the culprit. The case has not been resolved.

As indicated above, some of these misappropriation cases could have been misunderstandings, such as in the auctioneer case, but several others seem to be more systemic. All the sampled trainers obviously saw an opportunity to remain involved with the groups after the first cycle, which as mentioned previously was not an intention the methodology. They realised that this would be a way to continue receiving financial benefits from the groups. Whilst the biggest misappropriation case, which is described below, as well as the Grace's case were highly significant, the petty misbehaviour of the trainers was widespread and this meant that many of the groups were subject to their unaccountable wrong doing. For instance, the four metal box cases and also the training one indicate that members did not receive some of the key services that they were entitled to and yet they still had to pay for them.

6.3.2.2. Share-out fees

According to the SG methodology, trainers were not supposed to receive any money from the groups. The methodology also assumed that after "graduation", i.e. after the first share-out, the groups would continue operating without the assistance of the trainers. However, as discussed, all the sampled trainers continued assisting the groups during the second cycle. All of them received a payment for attending the share-out meeting and calculating how much each member would receive, on average, they got about Kshs 500 for making these calculations (Own observation). Paying for trainers Kshs 500 was considered fair. However, the group members in groups that the franchisee "regional co-ordinator" Bosire's had mobilised reported that his fees were higher, but he gave no explanation for these high fees. In fact, the respondents reported that he demanded Kshs 3,000 for the share-out, Kshs 1,000 being his fee, Kshs 1,000 was for the trainer who actually made the calculations and Kshs 1,000 was for the group leaders. In some groups, Mr. Bosire had taken Kshs 2,000, but in these cases he did not give anything to the group leaders. Regarding the other delivery channels, the groups paid only one person, namely, the trainer who actually carried out the calculations. During 2013, Mr Bosire had increased all

the share-out fees from Kshs 3,000 to Kshs 5,000 (FR4-N,1; FR4-N,2; FR5-N,1). Next, the biggest misappropriation cases, the registration fees are discussed.

6.3.3. 'Registration' fees

During the research, it emerged that in two of the sampled groups⁵⁹ the franchisee delivery channel representative had been involved in charging additional 'registration fees' that the methodology did not mention. The franchisee business that CARE had subcontracted to train the groups was owned by a young woman who had three small kiosks where she sold airtime for mobile phones and Mr. Bosire, a former local politician and the person responsible for the largest appropriation of group funds, was her father.⁶⁰ Bosire would attend the share-out meeting with one of the franchisee trainers, who, as explained above, carried out the necessary calculations. During the share-out meeting, Mr. Bosire also asked in both groups whether the members wanted to register with CARE for the next cycle. According to him, the registration fee was Kshs 200 per member and everybody who wanted to continue had to pay it. "He told us if you do not register you will leave the group, so the members registered" (FR5-N, 2; also FR4-N, 1)⁶¹ Members registered by writing their name on a piece of paper that Mr. Bosire then took together with the money, informing them that he would take the registration fees to the "office", which they understood as being the CARE office in Nyamira. Mr. Bosire had not asked

⁵⁹ Of out of the total 24 groups

⁶⁰ The respondents referred to him as the 'regional coordinator' and some group members referred to him as the father of the franchisee owner. However, when I referred to him as Lucy's father [father of the franchisee owner], he reacted strongly and seemed to be somewhat surprised or frightened and asked me somewhat aggressively how did I know this. This indicates that at least not everybody knew that they were related. Also, it is not clear at what stage CARE realised that they were related, although it is plausible that some CARE people knew right from the beginning that Mr. Bosire was Lucy's father. This is because CARE had been asked to form a large number savings groups and politicians are good at getting people together.

⁶¹ Another respondent from another group reported on the registration fee that Bosire takes an exercise book and says that since the money is on the table, members should now register. He takes the names of the individuals and takes the money from the pile before the share-out. They wrote their names on the list, and then he said that he would communicate when he was back in the office and even left the money there. So, after 1-2 days he phoned saying that "I am on my way to Nyamira can get the list and the registration money" and so the secretary or treasurer needed to struggle to get to the road side and find Bosire to give these to him" (FR5-N, 2).

the group to pay registration fees during the first cycle⁶² and the respondents reported that he first collected the fees from the groups at the start of the second cycle when CARE was leaving the area (FR5-N, 2; FR4-N, 1).

During 2013, Mr Bosire had apparently increased all the registration fees along with increases in the share-out fees. Specifically, one respondent from a sampled group reported that he had doubled the registration fee from Kshs 200 to Kshs 400 per members. As one of the respondents reported:

“We didn’t pay the first cycle, and then second, the third and the fourth we have been paying two hundred but now that we have reached the fifth cycle, now he wants four hundred shillings for registration” (FR4-N, 1).

On the day of the share-out, Mr. Bosire was able to take substantial amount of groups’ money, because all their funds were on the table. Regarding one group, he had taken Kshs 29,000 from the group before it shared-out, which he explained as Kshs 5,000 for managing the share-out, Kshs 16,000 for the registration for the next cycle (40 members x Kshs 400) and Kshs 8,000 to be paid to the police so that they could “harass” defaulters to repay (FR4-N,1). However, the group members had seen no evidence of the police visiting defaulters, nor had any of the outstanding money been repaid to the group. According to respondents, Mr. Bosire collected registration fees in all the groups that respondent knew of.

Interviewer: How many groups are you in?

Respondent: I am in five groups and in every group I am either a treasurer or a money counter.

Interviewer: Does Bosire come to all your groups to collect the registration?

Respondent: There is only one group [into] which he doesn’t come, and that is because that group is for cousins (FR4-N, 2).

Respondents also reported that Bosire had asked group members with sick children⁶³ to register with CARE. So, the details of such children along with a photograph had to be given to Mr. Bosire, who explained that he would deliver the forms to CARE, with the registration fee being Kshs 200. In one group some members registered and paid the stated fee per child, whilst

⁶² This might be because CARE had informed the groups that they did not have to pay anything for the training. Also, during the first cycle CARE was still around and could have monitored what the franchisee coordinator was doing.

⁶³ One respondent also reported that elderly people should have also been registered.

others did not believe Bosire and refused to do so (FR4-N, 2 ; FR5-N, 4). The upshot is that CARE did not have any programmes in the area for assisting children at the time.

However, not all the groups were willing to pay registration fees to Mr. Bosire every year. After hearing from the research team that CARE did not collect registration fees in other groups, two respondents asked whether they could get another trainer instead of Mr. Bosire to support them or whether they could become "completely independent" (FR4-N, 1). However, distancing themselves from his sphere of influence was not easy, because he had local informants in every group, which helped him strengthen his position.

"He has a deep network of friends and people who are very close to him and some of them are in these groups. But, he doesn't have much interest in this group" (FR4-N, 1).

Mr. Bosire had recruited community members as "coordinators" to recruit groups for him, falsely claiming that CARE had selected these people as chairpersons for a certain area. The coordinators were then in charge of reporting to Bosire when the groups were sharing-out so he could attend to collect the share-out and registration fees.

Respondent: "He told us that one member by the name Moses, whom they [CARE] have appointed to be the chairperson of all the Rianyariki groups.

Interviewer: So is he [Moses] now the chair of the Rianyariki area groups?

Respondent: In our group, he is just a member but he is the chair in the other three. So since he is the one who came up with the groups we just call him the chairperson.

Interviewer: Does it have any practical implications?

Respondent: He has never told us about anything that happens but anything that happens in the group he tells Bosire" (FR4-N; 1).

Bosire explained to the groups that it was CARE that had set up the system of coordinators that reported him, but he had actually invented this system himself, because through them he was able to get useful information from groups. A respondent reported that their group coordinator reported to Bosire when the members criticised him:

"When we realised that Bosire was conning us, Moses [coordinator] told Bosire what was happening. We also decided that during the share out we can do the

calculations [ourselves] and share the money without either Bosire or the trainer but he [Moses] tells him when we are almost doing the share out” (FR4-N, 1).

Another respondent actually claimed that Mr. Bosire “owned” their group because he had mobilised people and then set it up, which gave the impression to those who joined that it was wrong to criticize him and expect to remain in the group.

Respondent: *“Bosire is the one who formed the group so it is like he owns the group and they [group members] respect him like a person from CARE.*

Interviewer: *So he kind of owns the group.*

Respondent: *He owns them*

Respondent: *Moses tells us that Bosire has done no mistake and has done nothing so if we don’t want [to stay and pay] we can leave the group” (FR4-N,1).*

However, not all the groups were happy with their relationship with Mr. Bosire’s. One of the groups that I studied was set up during my initial visits to the area and when I was present. and the members used my presence at its formation to challenge his authority over the group in an attempt to break free from his control.

“We told him that we are in the Mzungu [European person’s] group and he became bad tempered and told us that if he goes the Mzungu cannot come and look at our money. Mr Bosire became so upset that he threw the books and we were afraid, so we gave him the four hundred shillings” (FR4-N,1).

What these instances show is that respondents understood themselves as part of a wider context and network in which Bosire had considerable power although they were unhappy with it. In this latter case they even used my presence as a means of contesting who their patron in fact was and hence his role in relation to them. They were concerned about the consequences of leaving his network although it is not entirely clear what these would be. It is certainly likely that they would recognize that they would not be favoured in future cases where NGOs might bring programmes to the area, but it is possible that falling out of favour with him might well affect other aspects of their relationships with powerful people locally that were not immediately apparent from the research.

Bosire's and CARE's views on registration fees

When Bosire was asked why he collected registration fees, he responded that these were for covering his “fuel costs” (Franchisee owner and Mr. Bosire). However, the groups in the sample were close to Mr. Bosire's home so he did not need the transport to get to their meetings and to reach most of those located further away, he would not have needed more than Kshs 250. When the issue of registration fees was brought up with CARE, it claimed that the research team had confused the registration fee with fee-for-service. Specifically, at the time when CARE was closing down the project, it had proposed to trainers that after CARE had left, the trainers could continue recruiting and training groups in return for a fee that the members would pay to the trainers. However, all the groups in the sample had been started before CARE left. Some trainers had recruited new groups after CARE had left and trained the groups for a fee. However, one year after CARE's withdrawal, all the trainers had stopped charging for training, mainly because groups were not willing to pay them.⁶⁴ CARE had not asked the delivery channels nor the trainers to collect registration fees and neither did the research team hear similar stories on ‘registration fees’ from the other delivery channels. Also, the respondents understood that the registration fee was for registration, not for training and did not expect to receive any services in return for this fee: “He just told us that the money goes to the office so that we can be recognised as being under CARE” (FR4-N 1).

Towards the end of the field research, the franchisee channel owner, i.e. the daughter of Bosire, called one of the CARE directors in Nairobi, saying that the research team was asking the groups “negative questions”. Thus, it would appear that she and her father were worried that the research team had discovered some of the fraudulent practices, including the registration fee collection. CARE then called the donor, who then complained to us that we were only asking critical (“negative”) questions. Subsequently, the research team met both the CARE project director and the franchisee owner (Bosire's daughter) to discuss the concerns of the franchisee channel and CARE. What seemed to irritate the franchisee most was that when we visited the groups for a third time, we did not first contact them. During the first and second visits we had gone together with the franchisee trainers and they had naturally informed the groups beforehand that we were coming. They were unhappy that the team had subsequently visited ‘their’ groups without their prior knowledge. CARE was clearly worried that we would spoil the good reputation of the franchisee channel, because as the project director put it, “there are

⁶⁴ Interestingly, Bosire was the only person that continued to establish new groups.

people from other organisations abroad right now on their way to come and study the franchisee channel in order to replicate it in their own countries” (CARE project director).

Analysis

The franchisee channel in Nyamira had mobilised and trained more groups than all the other channels put together. The donor and the others who were intending to implement similar schemes elsewhere were interested in the franchisee mobilisation and training methods, because at first glance they appeared to be more cost and time effective. Consequently, at the time, CARE’s reputation as the SG programme implementer rested a lot on the franchisee’s fortunes and so they were unwilling to criticise their methods. One indication that CARE really appreciated the work of the franchisee was that it was nominated by CARE Kenya in a global competition held by the organisation for the most outstanding performance of the year by a provider. In sum, at least at the time, it would appear that CARE leaders considered the franchisee channel with Bosire’s involvement was the horse they were wanted to back, through which they could also attract future funding for the project and consequently, they were not prepared to listen to any concerns raised by the research team.

Mr. Bosire had managed to build up a system where he was able to misappropriate roughly Kshs 20,000 from each group under him at the end of each cycle and there are suggestions that he had hundreds of groups under him. This subsection explains how Bosire was able to misappropriate registration fees, fees for registering sick children with CARE, fees for the police and to obtain extra-large share-out fees. Three different explanations are provided. First, his successful misappropriation of fees from the groups can be attributed to his position in the local community. Second, it was down to the power he had through falsely claiming his association with CARE and third, since he had mobilised the groups, the group members recognized his ‘ownership’ of groups.

One of the main reasons for his being able to charge registration fees from the groups was the fact the Mr Bosire was a local influential politician, a former councillor, with a wide network of contacts in the area.⁶⁵ According to the franchisee owner, her father had assisted her in mobilising groups and this had been key to her success. The father informed the other

⁶⁵ It is interesting that the father of the franchisee was able to charge registration fees. He did not own the company with which CARE had signed the contract, he had not been trained by CARE on the SG methodology and he had not trained any groups.

councillors and the chiefs in Nyamira about CARE and the Savings Group project.⁶⁶ If a powerful politician is involved in an activity, people tend follow his or her guidance since they also bring resources to the area. Moreover, given his access to other authorities, especially the police and judiciary, he was able to give the impression that he could be dangerous to those trying to challenge him.

Another strategy that Bosire used to boost his legitimacy in front of the groups was his claim to be a CARE representative or at least associated with the organisation. He took the following actions to support this impression. First, respondents reported that he wore an ID with the CARE logo as well as a CARE T-shirt when visiting the groups

Interviewer: "How do you know that Bosire is from Care?"

Respondent: He has some logo that looks like an Id, his photo.

Interviewer: Does he carry it?

Respondent: He usually comes with the logo and also the T-shirt" (FR4-N,1).

The research team also observed that he wore a CARE ID badge. None of the other trainers wore any CARE IDs or T-shirts. Second, he used blank CARE forms to collect the yearly registration fees from the groups (Own observation, FR4-N,1).

Interviewer: What kind of form do you fill when you are registering?

Respondent: He comes with a form from CARE.

Interviewer: Does it look like CARE form?

Respondent: It's a form, on top there is some writing and there numbers one to thirty eight for the members to register there (FR4-N,1).

He also falsely claimed that he would take the registration fee and the registration forms to the CARE office, even though it had already left the area. Third, a group mobiliser, who was a member of several groups, alleged that Bosire made "fake" calls during meetings to CARE as a further way to present this façade of legitimacy.

⁶⁶ The reference material is not being disclosed, because although it is in the public domain, it would directly connect my actors whom I have anonymised.

“After the first cycle we asked him to come, so he came with his Mwalimus [teachers in Swahili i.e. trainers] and he had phones, so he makes fake calls that he is contacting Wazungus [white people or Europeans] in CARE Kenya” (FR5-N, 2).

Fourth, Bosire told the research team that even after a project had been closed down, he would invite the CARE representatives to the share-out celebrations and sometimes they would come. This further reinforced group members’ perception that he was associated with CARE (Bosire).

Third explanation for wielding his influence over the groups was that members recognized his ‘ownership’ of the groups since he had mobilised them. The point is that there was an underlying set of social norms here about who mobilises groups and how this leads to him being seen as its patron. This in turn meant he was seen as having the authority to charge members fees. However, the aim of the SG methodology was to create autonomous groups, where the members ‘own’ the group and clearly mobilisation by Bosire meant that the ‘ownership’ was shifted to him. That is, as someone who had mobilised groups he was seen like others who had mobilised ROSCA and ASCA as having more rights than the members to dictate how the relationship between him and group would continue. However, Bosire was able to go further than this by claiming his association with CARE, which his group members considered to be advantageous also for them as they expected benefits from this. The members would not have patronised him with considerable amounts of money in the form of registration fees, if they thought they would not have reaped any benefits, such as the proposed support for sick children. However, the reported contestation about ownership of the “Mzungu group” above, indicated that this group was not satisfied with the traditional power structure, whereby a local big man was able extort fees from the local community. Nevertheless, their attempt to take power back for the group was not successful in this case, thus demonstrating the enduring nature of the existing power structure.

There was one key similarity between Mr. Bosire and Grace, the two biggest misappropriation cases. Members viewed both of them as mobilisers and associated with CARE, which made them legitimate in the groups’ eyes. However, there were also key differences between the two, with first being that Grace took loans to obtain funds, whilst Bosire extracted fees. Taking loans made the former much more vulnerable than the latter and soon after she was not able to repay, the groups became suspicious of her. By contrast, Mr. Bosire collected fees that he was never supposed to pay back and any case, the “fees” were according to him not for himself, but for CARE. He had protected his legitimacy much more carefully in the sense that it was difficult

for groups to differentiate him from CARE, because of his CARE ID-badge, CARE T-shirt, copied CARE registration forms and the pretend phone calls to the CARE office. Even in cases where the groups were not satisfied with him and wanted to become more independent so they could stop paying fees to him, they were cautious with him and eventually decided to stay under him. Compared to Bosire, Grace did not have any formal position in the community that would have brought her power or authority. Nevertheless, she was initially able to get multiple loans without paying them back, in some cases from the same groups. Hence, this underlines the power of being associated with CARE over group members, because they saw the organisation as very influential outside NGO. In sum, both these people exploited their supposed link with CARE cleverly, but Bosire, with his leadership position in the community, was able to do so to a much greater extent than Grace.

The registration fees were not the only changes that Bosire and the franchisee channel had introduced to the SG methodology. Groups were encouraged to save only during the first months of the cycle rather than throughout the cycle. At the time when CARE was leaving the area, the franchisee channel trained the groups that they should save only once, in the beginning of the cycle. Further, group members were encouraged to stay with their loan as long as they wished (Bosire and Jacob). Both of these deviations from the SG methodology were essentially adopted from the indigenous ASCAs in the area, and made the training and monitoring much easier since the groups could continue using the existing indigenous ASCA rules and norms.

Discussion: explaining differences between the delivery channels

The differences in rule following and performance for the different delivery channels can at least partly be explained by different local institutions, local power relations and local social norms. The key actor in the franchisee channel, Mr. Bosire had established a strong position as a patron of the groups that he had mobilised. His patronage of the groups enabled him to utilise a new linkage, CARE, to external resources to be able to demand fees. Ultimately from the groups point of view it was not clear that he was needed to run the methodology but his link to CARE had power because members believed it may have future potential.

Likewise, also the Faith based (FBO) channel (especially in Rachuonyo) was part of a local institution and underlying set of moral norms. Hence, the differences in performance between the delivery channels can at least partly be explained by the different institutional structures and the norms underlying these institutions. The institutional structure of the church was further strengthened by the fact that it had formed a committee to select and oversee the trainers (Own observation). This committee had selected as trainers professional people with former experience from working with the communities, often church elders, who had greater moral authority than ordinary members of the community. This further limited opportunities for rent-seeking and ensured that the FBO channel (in Rachuonyo) delivered services that were in line with the norms of the institution. At the other extreme, in the case of Bosire, the norms underlying the institution of patronage did not limit rent-seeking nor had CARE created any monitoring arrangements that might limit this potential opportunism by a private sector franchisee who might approach the task with different values. In fact, the only person who might have provided oversight of the other trainers, the regional coordinator, was responsible for much of the appropriation.

This discussion on the two major misappropriation cases has also clearly shown that had the group members been trained on one of the Ostrom's design principles, the conflict resolution mechanism, they might have reacted earlier. On the other hand at least Bosire so well connected in his locality that only CARE could have been in a position to discipline him.

6.4. Conclusion

This chapter has presented qualitative empirical evidence on the delivery channels and trainers with the aim being to address the research question as to whether rules have been institutionalised in the longer term. Specifically, the purpose was to find out how the methodology was actually implemented by the different delivery channels and the trainers within these. First, there was analysis of the ways in which the trainers attempted to introduce, monitor and enforce the SG methodologies so that groups would be able to manage repayment and it emerged that the constitution development process did not adequately conform to Ostrom's design principles. The method was only participatory to a limited extent. The constitution development process did not come out clearly in terms of who should monitor the rule following on repayment, or were the sanctions for default were, and how, as well as when, should the group enforce repayment. The groups were supposed to decide upon these issues among themselves, but most groups did not voluntarily discuss when or how to initiate the recovery process on defaulter loans, because these people were usually their relatives or friends. In the great majority of cases, the trainers did not follow-up whether these issues had been discussed and because most of the groups had not agreed any strategies on how to ensure repayment, it is not surprising that the trainers adopted different strategies on how to approach this issue.

Regarding the monitoring and enforcement of sanctions, continuing involvement of the trainers in the affairs of the groups was observed. From the trainers' perspective, the groups did not seem to want to enforce repayment and appreciated when trainers offered to perform the calculations for the share-out, hence being happy to pay them to do so. All the trainers that had continued to reside in the area were willing to be involved, because of this payment and often travel and lunch allowances.

However, only Timothy had developed a systematic strategy of enforcement that ensured that everybody repaid before the share-out was conducted, whilst Jacob did not want at all to get involved with enforcement after the first share-out. However, he conducted share-outs for groups when invited even if not everybody had repaid. Paul was in the middle in the sense that

if the group leaders invited him to assist in enforcement, he participated, but if they did not, he would not become involved. In general, the analysis revealed that repayment was essentially dependent, not on groups, but on whether the trainers were willing or able to enforce it.

However, not even Timothy with his extremely extensive enforcement strategy had been able to institutionalise this in all his groups, for as members from one reported, once he stopped visiting them they were not willing to continue using his methods.

The section on misappropriation presented two major cases in depth, where it emerged that both Grace and Mr. Bosire had established ways through which they were both misappropriating funds. There were similarities between these two major misappropriation cases: Both Grace and Mr. Bosire claimed association with CARE and both attempted to gain influence and respect in groups through mobilising them and Grace also through joining the groups either as a leader or as a member. The supposed connection to CARE was an added incentive for groups to remain connected to these delivery channel representatives. That is, in both cases, the delivery channel representatives were able to use the association with CARE and groups' expectation of future assistance from the organisation to exploit the groups. However, Grace was much more vulnerable because she was basically a group member, whereas Mr. Bosire was a former politician and hence, had much greater power and influence. These two misappropriation cases clearly showed another gap in the SG methodology: there had been no discussion during the training on local conflict resolution mechanisms, because it was assumed that groups can resolve their conflicts on their own.

The different delivery channel representatives reacted in different ways to the pressures (not being able to repay on time/not having money to save etc.) coming from the groups. Timothy stuck with the SG rules and tried to deliver them such that the groups would understand the sense of having them and hence, would accept them. Timothy's ability to resist being influenced by the groups can at least partly be explained by his character including age, education, work history with civil society, and social status as a church elder. On the other hand, Bosire's response was, even though he also had a high social status because of his background as a politician, to adapt the SG methodology closer to the existing indigenous ASCA methodology, which meant that training and monitoring became much easier because groups already knew the methodology and whilst supporting these changes, Bosire systematically collected extra fees to line his own pockets and those of his supporters.

The differences in institutionalisation of the different delivery channels can also at least partly be explained by the different local institutions in which the different trainers/delivery channel representatives were embedded. The franchisee channel regional coordinator skilfully transformed the SG methodology into a form that it could be institutionalised and merged into (his) existing patron client relationships. On the other hand, the institutional structure of the FBO channel in Rachuonyo with a committee overseeing the trainers enabled a better oversight and ensured that the SG methodology was closely followed. This further limited opportunities for rent-seeking and ensured that the FBO delivered services that were in line with the moral norms of the church in which Timothy was one of the elders.

CHAPTER 7. INSTITUTIONALISING RULES: GROUP DYNAMICS

7.1. Introduction

The previous chapter studied the impact of the delivery channels and trainers on institutionalising the SG methodology. This chapter turns to an investigation of how the internal group dynamics affected the ways rules were institutionalised. The focus is on loan repayment, default and misappropriation cases in which the group leaders were responsible. It seeks to understand how the group dynamics shed light on the extent to which the SG rules were institutionalised.

As discussed in chapter two, Dore (1988) claims that, in the context of co-operatives, these relations are based on mutual trust and too little on mutual suspicion and this trust reflects traditional authority, for while these societies exhibit cohesion they rarely involve equality. The author suggests that methodologies that increase transparency and accountability “[allow] a strict apportionment of benefits to contributions and ... devices of institutionalised suspicion which prevent the abuse of leadership powers” (Dore 1988, 58). Hence, as discussed in the introductory chapter, the aim of the SG methodology was to increase transparency and accountability or as Dore (1988) calls it, to “institutionalise suspicion”. However, given the existence of a wide variety of kinship relations amongst group members and norms concerning seniority and social status that relate to age, gender, education, and so on the SG rules that attempt to increase transparency and accountability potentially create tension among group members. As Johnson and Sharma (2007) note, it is not the case that groups can easily institutionalise the principles of accountability and transparency that are delivered as an integral part of group training.

The previous chapter reviewed to what extent Ostrom’s design principles for creating successful groups were used by the trainers when implementing the methodology. In this chapter, whether and how the design principles were observed during the implementation by the group leaders and members constitutes the main focus. In chapter two, Ostrom’s boundary rule, who has the right to join the group, was also discussed and so, this chapter will also assess whether the training involved setting the boundary rule recommended in much of the literature that the

number of family members in a group restricted and if this the case, whether this was complied with.

Acknowledging the difficulty to institutionalise suspicion in the context of a range of social relationships, the first section considers in greater depth how groups came together and what kinds of relationship members had. The section 7.2. will proceed as follows. First, the views of the SG methodology and the implementer CARE on how the relationships should be taken into account when groups are mobilised, are discussed. Second, how the groups were mobilised, why did it happen that way and the role of relatives in the groups is discussed. Third section analyses the relationships in groups and the extent to which leaders were held accountable by the methodology. The tensions and conflicts between leaders and members in the groups are probed to understand what factors provide the ability for the groups to remove them in order to improve performance. As is shown, the ability to do this cannot be taken for granted and the ways in which groups are mobilised and the social relations between members affect this capacity.

Section 7.3. presents short case studies on the groups. For the case studies, first, the default and/or misappropriation cases where leaders were involved are presented, which is followed by analysis to ascertain what led to identification of the wrongdoing, especially whether the SG methodology contributed to the discovery as well as whether it contributed to the solution of the problem. Then, the leadership dynamics (the extent to which the leaders were collaborating and what their relationships with the members were) is probed so as to understand in whether and how the leaders contributed to the creation of problems and in what circumstances were they able to provide solutions. Moreover, what were the conditions that enabled groups to change their leaders is also probed. Further, because several default and misappropriation cases were not resolved by the leaders, the role of trainers in regarding these matters is also discussed. Lastly, the case studies also geared towards determining whether gender dynamics had an impact on group performance as indicated in some of the relevant literature.

7.2. Group mobilisation and kinship ties

7.2.1. The SG methodology and perspectives on relatives in groups

As discussed in the chapter 4, the literature shows awareness of the challenges of having relatives in the groups. However, the VS&L Programme Guide (2006) does not discuss the issue, only noting that “members must know and trust each other” (Allen and Staehle 2006). The designer of the methodology, Hugh Allen, reported that during training he told groups that there should be no more than one relative member as a member(Personal communication), but he did not specify the closeness of this person. However, the director of the project acknowledged the challenges related to having relatives in the groups and reported that the issue was discussed with the trainers at the training of trainers workshops and that they were supposed to deal with the issue.

“It was discussed during the training of trainers course for trainers and trainers did deal with the issue at group training level on need basis. The issue of relatives was dealt with at the group constitution level where the criteria for membership was clarified. Membership of relatives were usually kept at a minimum and loans to them were usually mitigated by certain measures” (E-mail communication 24.09.13).

However, the project director acknowledged that:

“Dynamics around membership of relatives is a tricky affair especially when it comes to rural-based groups because most of them are comprised mostly of relatives. These kinds of groups usually have activities that are ongoing so trainers have to adjust their training orientation to suit what they find especially at the pre-training stages. When problems arise such groups already have mechanisms to resolve them” (E-mail communication 24.09.13).

Hence, CARE saw its role as highlighting the challenge if there were many relatives in the same group, but did not give any specific guidelines on how to deal with the issue. Timothy, one of

the trainers, claimed that CARE had highlighted the risks of having too many relatives in the same group. He reported that trainers had been instructed not to have the chair and secretary from the same family, while other trainers in the sample claimed that this issue had not been discussed at all (Timothy, KI-4).

An SG trainer who was not in the sample clearly demonstrated that he understood the challenges of having many relatives in a group. According to him, it was often the case that both the husband and the wife had a loan and both would wait until they received payment for work done, pay the loan, but this was often insufficient to cover both loans.

“Loan of Kshs 10,000 [for husband] and wife Kshs5,000 and tea bonus [is] Kshs7,000, there is a problem. Also with cousins and aunts, children and parents it is difficult to push your relatives to pay the loan, if I am the secretary, it is impossible for me to push my aunt to repay the loan. First, I will fear that at home we will quarrel about the loan, so the group is bringing enmity into the home, and people don’t want that” (KI-4).

7.2.2 Group mobilisation

After CARE and the trainers had informed the communities about their intention to form and train SG groups, those interested were asked to form groups of 20-30 members. Groups were mobilised, in the main, by few members and in some cases no real mobilisation was needed because the group already existed at the time when CARE arrived to the area. For example, the Engoa group had functioned before CARE’s arrival as a ROSCA, while in Boburia, the current leaders had been jointly members in another group (Engoa, 2; Boburia,8) .

The leaders were formally elected during the training of the group. Regarding which, the mobiliser often acquired this role and this is similar to ROSCAs, where that person usually also becomes the leader. Timothy, one the trainers, knew about this dynamic and always carefully selected one person with the right leadership qualities, who he asked to start mobilising a group for him. That is, he did this because he knew that the mobiliser would eventually become the chair of the group (Timothy). In the groups that already existed, the current leaders also became the new leaders. This was the case in the Engoa group, where the pastor from the local indigenous church was the chair of the original ROSCA and then also became the chair of the SG group as was the case in Boburia (Engoa, 2; Boburia,8).

Relationship-maps drawn up for each group reveal that mostly relatives were mobilised. Even though CARE and at least some of the trainers were aware of the challenges of having many relatives in the same group, given the local norms that family members should support the welfare of each other, it was to be expected that relatives would be selected for the groups. As one of the trainers noted:

“If I pick e.g. only my grandfather, my grandfather will come to me and say that why can’t you also select other members of my family, because otherwise my family will be against me. And if you only select some few[family] members and not everyone, then the people that were left out think that you have a [wealthy] donor and you only want some few people to benefit” (KI-4).

The quote indicates that when people expect that resources will flow through groups, it is important to include as many of your relatives as possible. As pointed out in chapter 6, since CARE was an international NGO, many of the potential group members assumed that it would not only train the groups, but also bring some more tangible benefits (KI-2).

Most members knew that CARE assists people when there is flooding etc.. This time around we told that we just train them, but most people still believed that after we have trained them we will bring in some support, that we will give [them] some money (KI-1).

7.2.3. Relatives in the groups

In order to ascertain how many relatives there were in each group, relationship maps were drawn up. Table 7.1 summarizes, from these maps, the percentage of members that had nuclear family member(s) or grandparents, cousins, aunts and uncles or in-laws in the groups. The in-laws were mostly women since the majority of the members were women. The last column, financial performance, is based on the financial performance index developed in chapter 5, comprising Return on Savings as well as level of savings adjusted using the client poverty index (PPI) from the last cycle for which there were data. In the table, the groups with highest percentage of members with nuclear family members are ranked in descending order for the two regions.

Table 7.1. Nuclear family members, other relatives and in-laws in the sampled savings groups

District	Group name	% of members with nuclear family members in the group	% of cousins, aunts, uncles	% of in-laws	Financial performance
Nyamira	Engoa	58	18	12	Weak
Rachuonyo	Kabonyo	58	33	44	Strong
Nyamira	Boburia	57	29	49	Weak
Nyamira	Etanda	40	55	0	Weak
Nyamira	Amabele	28	69	26	Strong
Rachuonyo	Awuor	26	0	66	Strong
Rachuonyo	Tumaini	6	0	52	Weak
Rachuonyo	Ongoro	6	18	88	Strong
Mean Nyamira		46	43	22	
Mean Rachuonyo		24	13	63	
Mean all groups		35	28	42	

The same eight groups are included in the analysis for this chapter as for the previous one, the reasons having been explained in chapter 6.

As the table indicates, the mean share of close relatives (both nuclear family and cousins, aunts etc.) was substantially higher in Nyamira compared to Rachuonyo. In Nyamira, almost half of the members (46%) had a nuclear family member in the group, whereas in Rachuonyo only one quarter (24%) of the group members had a nuclear family member in the group. However, the range in Rachuonyo was very wide from 6% to 58%. Likewise in Nyamira 43% of the members had at least one cousin, grandparent, aunt or uncle in the group, whereas in Rachuonyo only 13% of the members had these relatives in the group. Regarding in-laws, the situation was different in the sense that there were three times more in-laws in Rachuonyo compared to Nyamira. 63% of the group members had an in-law in the group in Rachuonyo, whereas 22% had an in-law in the groups in Nyamira. Because most of the group members were women that lived at husbands homestead (patrilocal marriage system), most of the in-laws were husbands siblings. Respondents did not consider in-laws as (close) relatives because many of the women were new in the village, having married in.⁶⁷ Unlike with nuclear family members or cousins and aunts, the in-laws did not necessarily have much influence over the in-laws in the group. There could be several reasons for this discrepancy between the two regions. It could be the trainers

⁶⁷ In a group where every member had an in-law as one of the leaders and the respondents were asked whether they had relatives in the groups, one said: "No, people are coming from different places" (Ongoro, 4) Another respondent noted: "First, I disagree with you as most of the members are not close relatives" (Ongoro, 7).

way of forming groups, it could be the nature of the societies themselves, or it could be just by chance. Further investigation would be needed to understand which is the case.

The findings indicate that groups with the high percentage of nuclear family members in the group tended to be financially weakly performing or not functioning at all and conversely, in the groups where the percentage of nuclear family members was low, the financial performance tended to be stronger. The relatively low share of nuclear family members does not alone explain the group strength, but could have provided the setting where it was easier to build strong groups that followed rules unhindered by family ties that distorted group relationships. Moreover, having a high proportion of in-laws could result in strong group formation where it was easier to build strong groups that followed rules unhindered by close kinship ties.

However, there were exceptions. During the last cycle, Kabonyo was a strong group even though the percentage nuclear family members was high. For the first two cycles, the group was weak, with a low level of rules following and weak financial performance, during which time the chairperson was a woman who did not enforce repayment. However, when the first female chairlady was replaced by the head of the clan at the beginning of the third cycle, the group started following the SG rules and the leader enforced timely repayment at the time of share-out. Under the clan head leadership the financial performance also improved. The new chair was aware that over half of the group had nuclear family members, obviously not all the same family, but because of his position in the area he was able to handle the situation. "I have some unique things, first I am the head of the clan and the adviser to the chief thus this position gives me an upper hand" (Kabonyo, 6). This demonstrates that he was a leader who had status in both the clan and community as evidenced by his stated role in advising the chief and so could use the authority derived from these positions to discipline members.

In addition, in Kabonyo there were only two other groups that referred to the issue of kinship ties when trying to explain why the group was not performing well. As the case-study below on Boburia shows, the respondents felt that they could not take any action against the 15 members that had not repaid after the share-out because most of the members were related to each other. In Etanda several members had left the group, because the leaders were not willing to take assets from some members that were related to them.

"This is because some of the committees could be related with the members or within the group there could be relatives, so they could be scared to go and get

away the property so they favour them in a way that they ask them to bring the loan with time instead of going for their property as the rules should be" (Etanda, 2)

7.2.4. Analysis

The SG methodology is interested in institutionalisation of its rules, thereby increasing the transparency and accountability of the group operations, but as Dore (1988) notes, existing social relations, mutual trust and traditional authority make it often difficult to do so. This section has discussed what type of social relations there were between the people who joined groups. Regarding who should join the group, both CARE and the trainers were aware of the challenges of having many relatives in the groups. However, knowing that most of the people in villages were related to each other, it would have been difficult for them to implement this programme at all if they were too strict regarding the kinship issue and the CARE project director even noted that they had to compromise on this matter. As a consequence, this matter was not directly addressed with the groups, for there was very little evidence of trainers or members discussing it during training.⁶⁸ Moreover, the findings from the previous chapter indicated that groups had not talked about how to get outstanding loans back more generally. Given that most of the trainers, as explained in chapter 6, had failed to discuss recuperating loans from defaulters, it is hardly surprising that there was no evidence that they had covered the thornier issue of getting money back from close relatives. Referring back to Ostrom's boundary rule, from the findings it seems reasonable conclude that the challenge of having many relatives was not underlined enough by those responsible for rolling out the methodology. However, perhaps more tellingly the methodology itself put insufficient emphasis on ensuring that kinship ties did not damage group dynamics by making members aware of the possible pitfalls involved.

7.3. Default, misappropriation and leadership change

The research uncovered a lot of misappropriation, fraud and also default by leaders; while a few groups were able to change their leaders, some were not. Some of the groups that managed to change their leaders, improved their performance, both in terms of rule following and financial performance, whereas all the groups that had not changed their leaders were very weak financially two of the three no longer existed at the time of our last visit. The extent to which

⁶⁸ Only Timothy noted that chair and secretary are not allowed to be from the same family.

the SG methodology enables leaders to be held accountable appears, therefore, to be a critical aspect of the institutionalisation of the rules. One issue that seems to impact on whether leaders can or cannot be changed is the extent of their kinship ties within the groups. When talking about leaders, in this chapter, only the chairperson and secretary are being referred to, who were by far the most influential people in the SGs. The other, less influential leaders were the box keeper and two money counters.

This section presents short case studies on each of the eight groups where there were default and/or misappropriation cases by leaders, with the key interest being in how the groups handled the situation. To begin with, there is consideration of three of these groups where the financial performance during the third cycle was very weak, partly because the leaders were causing the groups to die owing to their not repaying their loans or they were defrauding the money from the group. None of these groups had changed their chair or secretary, the two most important leaders, during the first three cycles. Subsequently, four other groups are discussed that also had default and/or misappropriation cases by leaders, but that were able to change the leaders and lastly, the circumstances of one group that did not have default nor misappropriation are analysed.

For the case studies, first, the default and/or misappropriation cases where leaders were involved are presented, which is followed by analysis to ascertain what led to identification of the wrongdoing, especially whether the SG methodology contributed to the discovery as well as whether it contributed to the solution of the problem. Then, the leadership dynamics (whether the leaders were united and what their relationships with the members were) is probed so as to understand in what situations the leaders contributed to the creation of problems and in what circumstances were leaders able to provide solutions and in what situations where the groups able to change their leaders. Because several default and misappropriation cases were not resolved by the leaders, the role of trainers in solving or not solving the problems is also discussed. Table 7.2. presents the default and misappropriation cases by the leaders in the eight groups as well as the financial performance for each. Lastly, case studies also attempt to review whether gender dynamics had an impact on group performance. These issues had risen from the chapters six and seven and the literature as issues that have impact on internal group dynamics and performance. I am using the case studies to flash out how these factors impacted the functioning of these groups.

Table 7.2. Default and misappropriation cases by leaders and group financial performance

Group name	Leaders in default at the time of share-out	Misappropriation cases	Financial performance
Engoa	Yes	Yes	Poor
Boburia	Yes	Yes	Poor
Tumaini	Yes	Yes	Poor
Ecererubo	Not known	Yes	Poor
Amabele B	Yes	Yes	Good
Awuor	Yes	Attempt	Good
Kabonyo	Yes	Yes	Good
Ongoro	No	No	Good

As the table shows, both default and misappropriation cases by the leader were very common. Leaders were involved in default in six out of the eight groups. In Etanda, the leader who had taken both the chair and secretarial position did not allow us to inspect the books to confirm whether he was defaulting. In six other groups the leaders were involved in misappropriation and in one case the chairwomen had attempted to misappropriate funds, but after about six months this was exposed by one trainer and the matter was settled beneficially for the group. In only one group was no default or misappropriation found, thus indicating that cases of wrongdoing were the norm rather than exceptions to it.

7.3.1. Poor performance not leading to leadership change

In this subsection, there is analysis of three groups, Engoa, Boburia and Tumaini, which had all had default and misappropriation cases, but none of the chairs or secretaries responsible had been removed.

Engoa

The Engoa group had previously existed as a ROSCA. It had been mobilised by a local male pastor who ran an small indigenous church in the village, who with the secretary was responsible for mobilising about a third of the members. The chair and secretary who brought the group to CARE remained in charge up to the end of our field work in the third cycle.

Leaders took large loans and were collaborating to mis-record them. We observed during the meeting that the leaders falsified their own passbooks during a group meeting, but members were not aware of this. We also identified a loan in the chairman's passbook that was worth

Kshs 8,000, but according to the ledger he had received one of Kshs 5,000; the dates in the passbook and the ledger were the same. According to a key informant, the figures in the ledger were used for “announcing” and for repayment of loans, hence his lower loan would be reported to the group (KI-4).

By the end of the third cycle the majority of members had not repaid, thus resulting in the share out being postponed again. When we visited again some seven months after the initial share-out date we reviewed the books and found out that the chair and secretary had by far the largest outstanding loans - some ten times their savings level - whereas the rule was that loans should not exceed twice savings. Our inspection of the books led to the members being informed of this issue, because we did it with several members of the group present. Since some of the members had repaid their loans in full and had saved up to Kshs 40,000 they had effectively lost their savings (Financial analysis of the records, KI-4, Engoa, 7 and 8, and own observation). Members that had repaid their loans fully and also some leaders wanted action to be taken but that this was seen by them as the responsibility of CARE and not the responsibility of the group leaders. Some of the respondents told us that they had suggested that assets should be taken from members so that the group could undertake the share-out. But most of them hoped that the responsibility of enforcing repayment rested with CARE and the trainers. One the leaders, a money counter asked us to inform “the office” (i.e. CARE) to come and explain to the group that it was quite alright under the methodology for them to discuss the seizing of assets as they reasoned that if CARE stated sequestration was acceptable then it would be easier for them to apply it. “CARE Kenya should help because they have seen groups of KWFT that have taken assets but no group from CARE has taken assets and that’s the reason people are not returning loans” (Engoa, 4). Another member still hoped that trainers would attend every group meeting. “We have problems with the teachers [i.e. trainers]; we need a teacher to attend every month who can really help us in terms of money collection” (Engoa, 7). The trainer, Jacob, had not visited the group during the last 12 months before our last visit and he was not keen on getting involved in default and misappropriation cases (see ch 6)(Engoa, 7 and 8).

This case demonstrates clearly that there was little understanding of how to undertake enforcement and an expectation that external actors are responsible for this. In its absence, the leaders were able to take advantage of their position to benefit themselves at the expense of other people’s savings by mis-recording loans, taking bigger loans than the group rules allowed and not repaying the loans. It was only the involvement of the research team that brought the way in which the leaders had taken advantage of the situation to the notice of the members.

The chairman was also able to prevent further action because of the respect afforded to his status as a pastor and his assertion that CARE should be present if action was to be taken.

Boburia

Boburia had performed very well during the first two cycles with a high ROS (around 100%). However, during the third cycle members had noticed that female leaders did not announce the amounts that members were saving or the how much they were repaying. So, some members had challenged leaders:

“We asked them why they are not announcing that so and so has brought such amount of shares and they said that they are tired and that they had other things to do so they were hurrying” (Boburia ,7).

Even though the great majority of the members were women, it was some of the male members that were most critical towards the female leadership. Another member, a male, explained:

“I raised that issue with the leaders that why can’t they announce [the savings and loans] but then the leaders said that I am starting up a quarrel with them bringing a lot of politics so we didn’t do anything. The members were there when I was raising this issue but they also did nothing” (Boburia, 6).

These two quotes clearly indicate that group members had been trained on the SG methodology that emphasizes transparency and that they were aware that the leaders now wanted less of it.

Around that time, the research team had collected financial data from the group’s records and returned the books to this same male group member, who promised to deliver the books back to the secretary. Because this member had never seen the books and since some members suspected that the group leaders were not honest, he, together with the newly appointed male assistant secretary inspected the books. They discovered that the leaders had given themselves loans that they were not repaying and that these had been recorded in names of members who had already left the group. They also found that the secretary had increased her own passbook savings at the expense of those of some illiterate members (Boburia, 1, 6 and 7). The assistant secretary confirmed that, indeed, there were substantial problems at the time of the last share-out and that Kshs 250,000 had not been repaid. Several members did not even receive their full amount of savings back at the time of the share-out and although they were fully reimbursed

subsequent to this, they received no interest. As a result, fifteen members left the group (Boburia, 1 and 2).

The poor repayment can, at least partly, be explained by the fact that there was no enforcement mechanism and the assistant secretary also confirmed that they had not discussed this matter, only considering delaying the share-out. When I asked why not, he told me that “we thought everyone is good and is going to repay”(Boburia, 1). We found that the chairwoman and secretary were related to most of the group members and also provided favours in the form of big loans or extended repayment periods to some of their relatives or friends (Relationship map, Boburia, 7).

Group members that had raised critical questions felt that taking any action against defaulters (leaders and members) was almost impossible, because most of the members were related to each other. The assistant secretary noted that defaulters:

“are relatives so there is nothing you can do to them. We told them to bring money but until now there is nothing. Because they are like our own family so we can only listen to their promises.... When someone comes and tells you that she doesn’t have money what will you do and maybe that person is your grandmother⁶⁹ ...Since we are related and they expect me [the secretary] to be soft on them. What I can suggest is the teacher [i.e. trainer] to come because no one is from his family here. So what he says, people will follow and he won’t have sympathy towards the members” (Boburia, 1).

However, the group had not invited the trainer to visit the group after the last share-out eleven months ago.

Indeed the leaders had many relatives in the groups; the chairwoman had 23 members who were related to her out of the total membership of 39, including: two nuclear family members, three cousins and three in-laws, who in turn had 15 relatives related to them, many of whom were their own nuclear family members. The secretary had also brought 13 relatives and neighbours to the group. In fact, the two leaders had mobilised 94% of the total group membership (Boburia relationship-map).

Regardless of these challenges, the original chair and secretary (as well as the box keeper and money counters) continued as leaders for the fourth cycle. However, during that cycle there

⁶⁹ The chairwoman was, indeed, the grandmother of the assistant secretary!

was some movement and the assistant secretary took over the role of secretary, whilst the previous incumbent stopped attending even though she had an outstanding debt of Kshs 20,000. By the time of our final visit, the misappropriation by the chair and secretary had not been resolved and 15 members had not returned to the group (finding from the review of the ledger and passbooks, Boburia, 1 and 2; own observation). To conclude, because the chair and secretary had mobilised and were related to the majority of the group members, they had enough authority to continue as leaders even though they were implicated in misappropriation cases by their male relatives.

Tumaini

Grace, the assistant trainer (see chapter 6) had been instrumental in mobilising the group, because she lived in the village. In the Tumaini group, the chairwoman and the secretary had mobilised two thirds of the members, who were relatives and relatives' relatives. The chair and the secretary had also brought their neighbours and friends to the group. All the Tumaini leaders and members were female.

At the end of third cycle, the majority of members in Tumaini group had not repaid their loans, with the leaders and members closely related to them being the biggest defaulters which included a businesswoman, who was an in-law to the chairwoman who had borrowed over Kshs 80,000 . She had borrowed this money through several other members⁷⁰ and was a member of several Tumaini groups from which she had also borrowed funds through other members. Also, the assistant trainer, Grace, had a loan of Kshs 30,000, which she claimed she was not able to repay. As a consequence of the outstanding money, group leaders had postponed the share-out for nine months. During this time the group did not meet nor did anyone pay any interest, which meant that the leaders with biggest loans benefited most and were able to keep other members' savings interest free, whereas those that had not taken out loans could not get their money out from the group, thus in reality subsidising with loans (Tumaini, 3 and 6, Tumaini relationship map, Grace).

According to one member,

“there was no one to remind the group that there was a defaulter until the last day when there were no profits at the time of share-out. That is when we were

⁷⁰ “She convinces them, for example, she tells someone ‘I have problems and I need a loan, can I use your name but at the time of repaying I will pay’. That is how she is convincing people and members give it to her. She used to return the money on time so members do not fear her” (Eunice third interview Tumaini).

forced to go and look for the defaulters... The leaders would tell us that since we are just relatives, we should be lenient to each other and give members more time to repay a loan” (Tumaini 6).

As discussed in the previous chapter, the members were aware that Grace, the assistant trainer, did not follow the SG methodology, as she ordered them to leave the room when she calculated the share-out. The members explanation was that they did not have enough power to question the trainer: “We could do nothing, since she had supremacy over us” (Tumaini 6). A key informant noted that since the members were of “lower class” they did not have the authority to remove the leaders. Poverty data confirmed that the leaders were less poor than the members (KI-1).

Most of the members were in several groups as this made it easier for them to get loans. “Members are in many groups so that they can borrow from one group to return a loan in another group and if the loans are stopped in one group they can still borrow in another group” (Grace). Being in several groups contributed to the downfall of this and other Tumaini groups. The chairwomen of the group had six in-laws in it and she had brought in another five friends in addition to these people. She was also herself a defaulter like all the other leaders and some of the biggest defaulters were her in-laws, including the businesswoman who had a Kshs 80,000 loan from the group (Relationship map). Moreover, the money keepers, those members who held the repaid funds before the share-out, were mostly her relatives, but she kept most of these funds, a total of, Kshs 50,000, which were at her disposal for almost a year before they were eventually distributed (Relationship map).

The leaders and big defaulters used various methods to deter members from trying to confiscate their assets. One of the members that had allowed the businesswomen with the huge overdue loan to borrow from the group on her behalf reported that she had warned the members that her husband would kill her if the group came her house. Members also reported that leaders warned that “evil deeds” or a “bad omen” would happen in the homestead of the defaulter if the groups were too harsh towards them and Grace’s son, who had committed suicide was cited, as evidence. That is, the leaders’ view was that Grace’s son had committed suicide because everybody talked negatively about her. Also, the fact that some defaulters’ husbands divorced them because they had not told them they had taken out a loan, was used as evidence of that of a “bad omen” , if the group were to inflict too great a penalty on debtors (Tumaini, 6).

Some members reported that the group was not willing to use Grace's assistance to ensure that the leaders and members repaid their loans. At this stage, she was already very unpopular among the groups as the leaders as well as the members knew that she had defaulted in several other groups and misappropriated funds from them. After nine months some members took the issue to the local chief and he divided up what little money there was with the treasurer. Some of the members who had the biggest loans had then repaid small amounts to the group, but most did not repay anything. However, some of the members on whose behalf the businesswoman had borrowed did repay through the chief, even though they had never in fact received the money. This group was not operational when it was last visited in May 2013 (Tumaini, 3 and 6, relationship map, Grace).

In this case, Grace's version of the SG methodology had already watered it down and set confusion in the members' minds as to what the rules were. However the groups awareness of this also meant that they could not turn to her to help address the problem. The leaders were also able to blame her and refuse to pay before she did. Moreover, the invocation of evil deeds and bad omen's befalling defaulters who were punished speaks to the widespread belief in witchcraft in this area. Nevertheless, some members did resort to involving the chief although he did little more than divide the funds that were available.

7.3.2. Leadership change without improvement

In this and the next subsection four groups are discussed where the leaders were involved in default and misappropriation and those implicated were successfully removed but the outcomes of these changes varied. To begin with, there was the Etanda group where the changes in the leadership did not improve the rule following or the financial performance. Then, three other groups, Amabele, Awuor and Kabonyo are discussed where the leadership changes did lead to better rule following and improved financial performance.

Etanda

The financial performance of this group was weak. At the end of the second cycle the estimated ROS was 34%, four big loans were still outstanding, thus indicating that the real figure was substantially lower. CARE staff who happened to be at the share-out were also very dissatisfied with the level of ROS and ordered that the whole leadership had to be changed. The local tea buying centre chair was elected as the new chair. One member reported that at the end of third cycle she received Kshs 1,000, when she had saved Kshs 9,000, indicating that she had lost

most of her savings. During the fifth cycle the defaulters from previous cycles were no longer followed up. Members also reported that the aforementioned head of tea buying was the chairman of the group during the third to fifth cycles and he allowed several female group members not to repay their loans even after several months after the share-out in exchange for sexual favours (Own observation, Etanda, 1).

Interviewer: When we were here last time, there were young women who complained that there was a certain leader who demanded sexual favours so that they may join the group. Does that still happen?

Respondent: According to the reports I got, he is still continuing with the misconduct. In fact the members are the ones who requested him to be moved to the secretary position from being the chairperson as that will make them benefit more from him.

Interviewer: How do they benefit from him?

Respondent: He does give them loans readily" (Etanda 1).

The fact that the bookkeeping was non-existent especially during the fifth cycle and that the research team was not allowed to look at the books in any detail indicates that during these three cycles the chair most likely took out loans that he did not repay or that he did not pay interest on. The weak performance of Etanda was not an exception, for there were seven groups in the sub-location and most of them were no longer in existence at the time of our last visit (Etanda, 1 and 2).

There were power struggles between the chair (the head to tea buying centre) and secretary during the third cycle. The latter had challenged the former for favouring some members over others and the two had quarrelled. For the fourth cycle, the secretary was elected as the chair and chair became the secretary. The newly elected chair and the money counter attempted to follow the SG rules, insisting on timely repayment as well as paying fines. However, during a funeral where the chair and money counter were not present, the head of tea buying centre who, as pointed out above, was the secretary at that time, suggested that the members should remove the two of them from their leadership positions. The former chair reported that

"[Geoffrey, the then secretary and the head of tea buying] said that we [the then chair and money counter] were spying about the group with the guests [the research team] who had come to visit us. Geoffrey [the then secretary] did not

want me to be in any leadership role; be it a money counter or chairlady since I would be so watchful of him.

“He [Geoffrey, the then secretary] comes from ‘the other side of the road’ so when he proposes something he has the upper hand as more members are from that place. And most of the ladies from the Geoffrey’s place are widows and they have love affairs with him. He allows the members from his locality to default. They may also be allowed to continue repaying interest for 4 months without repaying the principle. When I [as a chair] try to chip in and have the loans repaid I do not have enough support. ...In the event that the keys are with the members from the secretary’s side, he asks for them and alters the records. After locking the box the secretary is the one that issues the keys so he knows the key carriers and could therefore get them back and open it” (Etanda, 1).

Eventually the tea buying centre head who was secretary for the fourth cycle was re-elected as the chairman for the fifth. This time he doubled up as the secretary, even though the members view was that he was illiterate. The research team was able to have a quick look at the group’s records during his tenure as chair and secretary. In the passbooks only savings were recorded, but not the loans and in the ledger the pages where the chair-cum-secretary was supposed to record the loans were mostly empty (Etanda 1 and 2).

The popularity of this illiterate head of the tea buying centre and chairman-cum-secretary can be attributed to the fact that he had more relatives as group members than others. Moreover, as chairman of the tea buying centre: “He is influential in the tea buying centre so people would want him to continue holding this position so that he could continue favouring them even in the tea buying business” (Etanda, 1). This was an important position, since the chairperson’s “friends” were allowed to be the first ones in the morning to bring in tea (when it weighed more). He also gave members ample time to repay loans and did not always charge interest. Further, he was also against taking members assets. The fact that the bookkeeping was virtually non-existent and that he had not allowed the research team to look at the books does raise suspicion that he had unpaid loans and/or did not pay interest (Etanda 1 and 2). The fact that members had changed their leaders several times is evidence that they were aware of the SG methodology and that was also practised. However, as was noted earlier, initially CARE ordered the group to change its leaders indicating that the initial push for changing leaders came from CAR. Also, the fact that newly elected leaders tried during the fourth cycle to introduce more discipline was an attempt to reduce the problems with default. The trainer, Paul, had not

visited the group after the second share-out that he had conducted, indicating that all these changes happened later without any external intervention. Even though the leaders were changed several times, the local tea buying centre head kept his power and stayed as chair, then as secretary and then as both chair and secretary and also managed to remove other leaders from their positions to ensure that he, rather than the SG rules guided the group. Next, the three groups where the leadership changes led to improved rule following are discussed.

7.3.3. Leadership change resulting in improved performance

Amabele

CARE had initially contacted the chairwoman and she had, together with other members of the group, mobilised the members. However, she had only three relatives amongst them, whereas the young male secretary had seven. Together these two people had mobilised one third of the members (their relatives and relatives' relatives). Moreover, the box keeper had more relatives and relatives' relatives than the chair or the secretary (Amabele, 3; relationship map), which meant the power among the different leaders in the group was more evenly distributed than in many other groups.

During the third cycle one of the members had a loan but was not able to come to the group meeting to repay the loan, so instead gave the money to the secretary to bring to the group, which he did not do. When the member attended the next meeting, she realized the secretary had not given the money to the group and from that incident the group became aware that the secretary was falsifying the records. At the end of third cycle, the secretary claimed that he had repaid his Kshs 12,000 loan and his passbook, which he filled in himself, indicated that this was the case. Some members and the chairwoman suspected that he had falsified his own passbook and since he had refused to fill in the ledger, the only available evidence was secretary's passbook. The chairwoman, however, kept her own private ledger and based on these records she claimed that the secretary had not brought the aforementioned member's money to repay her loan nor had he repaid his own Kshs 12,000 loan (Amabele, 3 and 4). It took the chairwomen together with several group members many months to agree with the secretary's parents that they would repay his outstanding loan. One reason for the long negotiations might have been that the fact that the secretary had seven cousins in the group. However, the chairwoman was popular among the members, because CARE had contacted her first and she had mobilised most of the group members (Relationship map, Amabele, 3).

The relatively strict implementation of the SG methodology reduced the likelihood of default and assisted in resolving the misappropriation case. The group had a clear enforcement strategy to ensure timely repayment, which was activated if the members had not repaid a loan within three months, whereby the interest for the subsequent months was tripled. The chairwoman also ensured that neighbours visited the late repayers to remind them and she also participated in the negotiations with defaulters. She preferred negotiation but the group had also previously confiscated members' assets. An intermediate strategy that was not considered too harsh was leasing of the defaulter's shamba (small holding) by a member, who would then repaid the loan back to the group in exchange for growing crops for an agreed period of time (Amabele, 2 3 and 4). Regarding the solution to the misappropriation case, when the secretary in the Amabele group refused to use the ledger from the second cycle onwards, the chairwoman started her own private ledger, which helped in resolving the said case. Even though her private ledger was not part of the official methodology, she found the idea of replicating transactions entry useful for getting clear overall picture of the operation of the group and for reducing the likelihood of misappropriation.

The trainer, Paul was also involved in solving both the default and misappropriation cases. At the end of the third cycle, there were members who had not repaid, so the chairwomen asked the trainer to accompany the group members to the defaulters' homesteads. The trainer joined the group even though he did not participate into the actual negotiations. Moreover, during the negotiations with the secretary and his parents the chairwoman was occasionally assisted by the trainer. (Amabele, 3 and 4).

To conclude, the Amabele group's chairwoman insisted on rule following and the group had a clear enforcement strategy for loan repayment. Her popularity and strictness in the group also ensured that most supported her attempts to remove the chair from the group because he had falsified his own records. The chairwoman discussed the default and misappropriation cases with the trainer who also occasionally visited the group during the third cycle and supported her efforts to deal with defaulters and the misappropriating secretary.

Awuor

Before Awuor savings group was formed, several women were members of a ROSCA called Awuor Women's Group. When they heard of CARE's savings groups they decided to transform their ROSCA into one and invited the trainer to train them. Awuor members came from the Kokelo clan and according to members this increased the mutual trust (Awuor, 11 and 12).

Towards the end of the second cycle, the chairwoman had four loans that she was unable to repay and the practice was that during the group meetings she would always announce who was late, but even though she was guilty of defaulting she did not say so. “The secretary writes who is late and then the chair reads who is late but she did not read out her name, others she read out very loudly”(Awuor, 1). The other leaders did not disclose to other group members that the chair was late “because that would demoralize the members” (Awuor, 1). The chair and secretary were in-laws and so too were the secretary and box keeper (Relationship map).

It is not clear whether the members knew about the efforts of the leaders to hide the misappropriation case. Whatever the situation was, the role of the trainer in resolving the default and misappropriation case was central. Close to the time of share-out, group members called on Timothy, the trainer, to visit the group since half of the members had not yet repaid their loans. Timothy attended the meeting and set a date by when everybody must have repaid. He then came again after one month to ensure that everybody had repaid and to perform the share-out calculations for the group. At that time, three members, including the chair, had not repaid, so Timothy asked the group to visit the defaulters houses and take assets. According to the treasurer of the group:

“Chairlady had gone to look for money but she took long and when she came back, they had already taken her assets but she was not angry, she apologized for taking for so long.[However] the cow was not sold. It was kept at the church for two hours and the teacher had also come. Then the chair came and paid everything and she even got her share—because she had paid everything” (Awuor, 1).

Even though the whole group had gone to the chairwoman’s house to seize a cow, members were hesitant to remove her from her position. As discussed in chapter 6 (section 6.1.3.) . Timothy, the trainer, needed to engage with a lot of hard convincing and politicking with the group before they dared to replace her.

The fact that group did not follow the SG methodology strictly also increased the default problems. Specifically, it had not developed incentives to enforce repayment and there were no penalties for repaying late. Members just paid the interest for all the months that they had the loan and hence, there was really no incentive to repay. Timothy had suggested that the group should have a penalty of Kshs 100 if the members did not do so on time, but according to the ledger, no penalty on late loans was paid, only the interest. The treasurer’s view was that

penalties would bring a lot of burden because the interest was already high: “This would lead to a situation where people would not take loans” (Awuor, 1). Further, the secretary noted that if a member had not repaid the interest within three months, then the case would be reported to the trainer. This indicates that the group had outsourced not only handling of misappropriation cases and removal of leaders, but also the enforcement of repayment to Timothy, the trainer. (Awuor, 2)

To conclude, in Awuor the chairwoman who had played a central role in mobilising the group was so powerful that a strong external intervention from the trainer was needed before she was removed from her post. Despite the methodology promoting transparency within groups, the actions of a small minority were able to keep important facts secret, such as inability to repay loans, whilst claiming to be following the rules.

Kabonyo

In Kabonyo group, during the second cycle, the chairwoman took out loans, for which she did not pay interest or repay them on time, but she was not penalised for this. Further, a member reported that

“the chairlady and the secretary are always absent from the meetings. The treasurer is then forced to do the duties of the absent officials in addition to hers” (Kabonyo,3).

Because the chairwoman was not present, she could not pressurize others to come to the meeting on time. During this second cycle the members did not save regularly (Kabonyo, 3) and there were also reports that the chairwoman had not repaid her loans by the time of the share-out. A respondent noted

“I realized that when somebody wanted a loan they didn’t care even about the shares, if somebody is late, there was no fine, then; I knew that the group would collapse” Kabonyo, 6).

Grace, the assistant trainer assisted the leaders in performing the share-out at the end of first and second cycle. As mentioned earlier in chapter six, members reported that they were not allowed to be present when she and the leaders divided the group funds and allegedly took some money for themselves. When training the Kabonyo group, the CARE trainer had suggested that a women should lead the group (Kabonyo 6). Almost 90% of the members were women. However, at the end of the second cycle the current chair reported that the group

realized that the trainer was not in the vicinity any longer and so it was decided to select a male leader, thus at the beginning of third cycle, a new chairman was elected for the group. The SG methodology was important, in the sense that the proposed chairman reportedly told the group that he would only take the position on the condition that the group started following the original rules that the CARE trainer had provided. Most of the members in the group belonged to one clan and the new chairman of the group was also the head of this clan as well as being an adviser to the chief. "I have some unique things, first I am the head of the clan and the adviser to the chief thus this position gives me an upper hand" (Kabonyo, 6) and with this "upper hand" he had authority to enforce timely repayment of loans.

Under the new chair, the Return on Savings increased from 50% to 100% and members liked the higher returns as well as the new officials, especially the chairman, "He comes to all the meetings and makes sure everyone pays the fine" (G14/3). The new chairman noted that it was the original CARE trainer that had trained the group to be strict.

"Lavender [the CARE trainer] even stressed it that if someone fails to repay the loan, we call her and she comes with someone to bring down the roof. You know she said the roof but people started taking even cows just recently but the law [rule] states the iron sheet (laughing)" (Kabonyo,6).

The new chairman also used these methods in practice when enforcing repayment. He explained how he threatened one of the group members before the share-out:

"So I personally talked to her over the phone [the person that owed group money was in Nairobi] that the roof will be brought down. Then I started hitting somewhere pretending that the roof is being brought down and she asked us to wait a bit. Then the money was sent" (Kabonyo, 6).

The fact that the new chair was the head of the clan can also be seen in the composition of the group. The relationship map shows that he had one nuclear family member, five in-laws, three cousins and another ten members that were in turn related to his relatives. Out of 31 members, there were only three men in the group and hence, in addition to having power through being the clan leader he also had gender power because his relationship with other (female) group members was mainly as an in-law. Kabonyo can be seen an example of a group that was using kinship power *positively*.

The role of the trainer was not central in clearing the default cases, since the new chair had enough power to do so himself. Moreover, Kabonyo did not want to get any kind of assistance

from Grace. However, even the new chair felt that the group needed an outside person to conduct the share-out and asked the research team to recommend a trainer who could assist them. We recommended someone we knew and during the field research he performed the share-out calculations twice for the group. Members were clearly aware that the first chairwoman had not followed the rules, but it was only the clan head that was able to challenge her. The willingness of the clan head to become the new chair of the group and his ability to enforce the SG rules enabled the group to improve its performance substantially.

7.4. Analysing leadership change

Table 7.3. summarizes the key features from the case studies on default, misappropriation and leadership changes for the sampled groups.

Table 7.3. Change of leaders and the role of SG methodology in informing and resolving the default and misappropriation (D & M) cases

Group name	Leaders in default at the time of share-out	Misappropriation cases	Financial performance	Were leaders changed	How many members mobilised by the chair and secretary	Role of methodology informing the members of D or M	Did methodology assist in resolving the D or M?	Role of trainers in resolving D &M
Engoa	Yes	Yes	Poor	No	32 %	No	No	No
Boburia	Yes	Yes	Poor	No	94 %	Yes	No	No
Tumaini	Yes	Yes	Poor	No	63 %	Yes	No	No
Etanda	Not known	Yes	Poor	Yes,	36 %	Yes	No	No
Amabele	Yes	Yes	Good	Yes	32 %	Yes	Yes	Yes
Awuor	Yes	Attempt	Good	Yes	44 %	Not known	No	Yes
Kabonyo	Yes	Yes	Good	Yes	66 %	Yes	No	No

D= default; M= Misappropriation

In this analysis, the four key themes which appear to determine the functionality of groups that emerged from the data presented in chapters 6 and 7 as well as the literature are considered in turn. These being, first, the level of comprehension of the SG methodology and the group's role in ensuring that breaches were addressed ; second, the social dynamics that made it possible to actually change leaders; third, the role played by the trainers; and finally, the dynamics of gender relations.

The role of the methodology in understanding breaches in rules

In most of the groups, having been trained on a set of rules assisted the members to understand when they were not being followed, and in several cases also to react against the leaders when they did not follow them. Only in Engoa did we find no evidence that members had understood the rules such that they could identify when they were not being followed. However, even though members understood that leaders did not follow the rules, this did not necessarily lead to better rule following or ensuring the default and misappropriation cases were resolved. As the short case-studies and table 7.3. show, there were different patterns in how members tackled their leaders over this and whether or not changes resulted. There were three groups where no chairs or secretaries had been changed throughout the cycles (Engoa, Boburia and Tumaini) and they were all poorly performing. Two of these were actually not operational anymore, with one having lost a third of its members and not being able to recover a third of its loan fund from late repayers a year after the share-out. Regarding the other four groups (Etanda, Amabele, Awuor and Kabonyo) they had managed to change one or both of the key leaders (chair and/or secretary). In Etanda, the performance remained very weak even after the change, whilst in the other three, performance had either improved or had remained strong.

In the four better performing groups, the SG methodology had contributed to the identification of default through the fact that members were aware who were late because the repayment of some members were not announced and also because bookkeeping especially in Amabele and Awuor and Ongoro clearly indicated who was late. and helped result in a change of leadership. In three of these, the leaders had been changed specifically because of default or misappropriation. However, it is clear from the Awuor case-study that the role of the trainer was more important than that of the methodology itself. In Kabonyo, the new chair insisted that he was willing to take up the post only on the condition that the original SG rules would be re-adopted. In Amabele, the chairwoman's experience from learning bookkeeping in indirectly

contributed to her setting up her own private ledger. The SG methodology had therefore assisted the group members to become suspicious in these groups.

The social dynamics of changing leaders

A key factor in whether or not the groups were able to change their leaders once problems came to light was the role of kinship ties and the norms this invoked about how to behave in the group. The case-studies have indicated that the chairs and secretaries in Boburia, Tumaini and Kabonyo appeared to have more relatives and connections in the group than leaders in the other groups. Table 7.3 shows the percentage of members in each group who were brought into the group by the chair and secretary and for these groups this proportion is over a half. This suggests that it was harder to change leaders under these circumstances. However, in the case of Tumaini the inability to change leaders was not only an issue of relatedness, but also one of status, in that the leaders and members related to them were better off than the other members.

Engoa was an exception in the sense that the chair and secretary were related to only one third of the members or had brought the members into the group and in this case no leaders had been changed. One of the reasons why this did not happen was the fact that many of the members did not understand that any misappropriation had been taken place. The chair also commanded a lot of authority as the pastor of the local church as well as having been chair of the ROSCA that had later been converted into a Savings Group.

On the other hand, in the four other groups where leaders had been changed, up to five mobilisers had brought their relatives and friends to join suggesting that these constituencies were more diverse and that loyalty was not so easily commanded.

However, whilst changing leaders improved the rule following in Kabonyo, Amabele, Awuor, it did not do so in Etanda. Kabonyo was different in that it was basically a clan group involving many relatives, but it was nevertheless able to change leadership and improve rule following and financial performance. The female leader had been elected mainly because the group thought that CARE required a woman leader and when the clan leader came to the fore to take over, he was able to use his authority to do so and institute the rules effectively. This case contrasts with that of Etanda in which the head of the local tea buying centre took over but performance became worse rather than better.

Another characteristic that is evident from the groups in which leaders were changed was that the leaders were less united among themselves, and hence also easier to remove. In Amabele,

the chair was convinced that the secretary had attempted to misappropriate funds and so tried to remove him, eventually succeeding in doing so. In Kabonyo, the original chair was often away and was criticized also by the secretary (who happened to be the wife of the clan head). Of the well-performing groups, Awuor was an exception in the sense that the leadership was united and hence, outside intervention was needed to remove the chair.

The role of trainers in resolving default and misappropriation

It is evident that the trainers were largely absent from resolving the difficulties that the groups faced. Among the defunct or poorly performing, in Boburia, the trainer went ahead with the share-out even though one third of the loan fund was still outstanding and did not want to get involved in resolving the internal problems of the group. In Engoa, when members suggested that assets of defaulter should be seized, the leaders cleverly argued that CARE had to be present if that rule was adopted, and since CARE was not available this enabled them to remain in control. In the case of Tumaini, it took the group almost a year to bring the case to the chief and seek some resolution because CARE had not set up a clear approach to conflict resolution in the absence of trainers. However, since Grace had left with the books he could do little other than divide the available money equally among those were present at that meeting.

In the better performing groups trainers presence was more evident. The trainer was critical in removing the chair in Awuor. In Amabele, while it was the chairwoman who took the lead, the trainer assisted her when she was negotiating with the secretary's parents. Overall then it is only in two groups, Kabonyo and Amabele, where it was the internal dynamics within them that created the demand for leadership change, and which subsequently led to improved performance.

Members certainly expected the trainers to assist them in resolving conflict related to default and misappropriation, and this underlines the failure to set up conflict resolution mechanisms to be used once the training and supervision period was over. Moreover, even when trainers were available, of course some group leaders did not want to involve them because they themselves were implicated in the default and misappropriation cases. One group in this sample of eight and several in the sample of 24 had approached chiefs to assist them but this was in itself problematic. The chiefs and police usually expected to receive about a half of the outstanding loan amount as their remuneration for getting involved and the groups were - understandably - not usually willing to pay. Hence, institutionalising the transparency of the SG methodology was problematic because it challenged social norms at many levels, in particular, the extant kinship ties and hierarchical power structures.

Gender dynamics

The gender dynamics within the groups merit specific comment as patterns can be identified. First, there was one group where male leaders exploited women members in the form of sexual favours, and in return provided them with loans and did not force them to repay. Second, however, in four out of eight groups women leaders were using their positions in the groups to gain financial advantages through misappropriation and default (Boburia, Tumaini, Kabonyo and Awuor). This is in contrast to the findings of Johnson and Sharma (2007) who suggested that it was male rather than female leaders who tended to take greater advantage of their positions.

Third, moreover, the gender dynamics of leadership challenges do not suggest a clear cut dynamic around the role of gender such that men are necessarily able to exert more power than women. Rather they suggest a complicated set of dynamics of age, kinship and social status outside the group as important in determining whether or not problematic leaders were dislodged. So, in Boburia where male members challenged their female leaders on misappropriation of funds, they were not able to dislodge them. However, in two cases the male challengers became the chairs in place of a female rival (Kabonyo, Etanda). Additionally a female chair was able to remove a male secretary. In the case where the male challengers were not successful in ousting female incumbent leaders, they did not have social status outside of the group, were younger than the female leaders and were related to them, thus indicating that age and kinship tended to dominate over gender relations. In the cases where the male challengers were able to dislodge female leaders, the former occupied an important position outside of the group that assisted in their taking over the leadership.

7.5 Conclusion

As was discussed in the beginning of this chapter, Dore recognizes that it is the mutual trust of deep local ties that enables people to co-operate well but and that also “rational accounting methods ... and other devices to institutionalise suspicion” are needed (Dore 1988, 58). This chapter has investigated in detail the internal dynamics inside the groups, in particular examining whether and how they were able to address the breaches of rules and misappropriation and default by their leaders which presented a significant problem to their sustainability. The relationship between leaders themselves and their mobilisation of the group

members along with kinship ties was found to be particularly important in how the internal dynamics of the groups ultimately played out. The evidence shows how the rational accounting methods of the SG methodology were helpful in exposing some of the problems but ultimately it was these internal social and power dynamics that affected whether or not the methodology could be implemented effectively.

CHAPTER 8. INSTITUTIONALISING RULES: INSIGHTS FROM THEORY

8.1. Introduction

The aim of this chapter is to examine how the different theoretical frameworks introduced in Chapter two are able to shed light on the empirical findings. In the sections that follow, I therefore review the findings in relation to Ostrom's framework and design principles; Mahoney and Thelen's approach to examining gradual change; and Boettke et al.'s theorem of institutional stickiness. Using these frameworks enables different dynamics of the operation of groups to be analysed and brought to the fore. Using Ostrom's analysis enables us to examine whether her design principles of participation, monitoring, enforcement and conflict resolution were applied while training groups. Then the framework of Mahoney and Thelen focuses analysis on the dynamics of gradual institutional change and how power relations impact change. Using Boettke et al.'s theorem facilitates the analysis of impact of external intervention. This analysis is therefore able to show the way in which these different theories assist in focusing on different aspects of the process, but none of frameworks was able to cover all the of three key areas that were evidently of importance i.e. embeddedness, power relations and the role of external intervention. Further, the findings of Chapter six have demonstrated a significant level of variation in results depending on the way the trainers themselves operated. The theories of institutional change do not offer tools to adequately capture and discuss these dynamics. In considering how to better theorize these dynamics I have turned to the anthropology of development literature and in particular the broking and translating literature of David Mosse after reviewing the findings with respect to the three main frameworks presented above, I will then introduce this literature and consider the empirical findings through this lens.

8.2. Institutionalisation of SG rules: the Ostrom framework

As noted in the literature review, Ostrom developed categories for different types of rules. Her aim in listing all the rules that exist in an action situation was to establish whether there are

some key rules that need to be present in any situation for a group to function well. To this end, the key rules of the SG methodology are considered by applying them Ostrom's rule categorization. As discussed in the literature review, she contends that groups require rules in the following categories in order to function well:

- boundary rules or exit and entry rules
- position rules
- choice rules
- aggregation rules
- information rules
- payoff rules

According to Ostrom, for common property resource groups to function well the group needs rules covering all the above categories, they have to be clear and be in use. In Table 8.1, the key SG rules have been entered where they appear to correspond to Ostrom's categories, as set out above. The first column of the table shows the rules that were introduced/supposed to be introduced to the groups. However, Ostrom exclusively focuses on rules-in-use. I have used both scenarios, because the aim is to determine whether the SG methodology was watered down. The second and third columns report whether the rules were in use or not. If all three columns are green, then the rule was introduced and great majority of the observed groups used it. Whilst red in the first column indicates that the rule that groups follow is not part of the SG methodology. Red in the second or third column indicates that some or many groups did not follow a particular SG rule even though it was introduced by the trainers. The numbers of groups in the table refer to all 24 groups what were discussed in chapter 5.

Table 8.1. Whether SG rules were introduced and in use under different Ostrom's rule categories

<i>SG rule introduced by CARE/trainer/monitored and enforced by trainer</i>	<i>Respondents reported that rule was in use</i>	<i>Observation that rule was in use</i>
Boundary rules		
Group members should do a self-screening ⁷¹	In 13 out of the 16 groups not in use	Several groups were clan groups and according to respondents, it would unacceptable to exclude clan members from joining
Position rules		

⁷¹ Officially called self-screening, so members screen themselves, whether can follow rules.

<i>SG rule introduced by CARE/trainer/monitored and enforced by trainer</i>	<i>Respondents reported that rule was in use</i>	<i>Observation that rule was in use</i>
Group leaders elected through secret ballot	Group leaders selected in elections (mostly not secret)	Elections in all groups Even though elections, non-performing leaders in several groups not removed through elections, but rather, re-elected
The group: a chair person, secretary, possibly a vice-secretary, a box-keeper and two money-counters as well as key holders who are changed at each meeting and are anonymous to nearly all other group members	Yes	Yes, However, in most of the groups that used a box, the chair kept the keys.
The designer of the methodology was of the view that members should only have one relative per group, but this was not a formalized rule	In most of the groups each member had several relatives	In most of the groups each member had several relatives
Trainer only one cycle with the group	Trainer more than one cycle	Trainer more than one cycle
Choice rules (on how to allocate resources), i.e. Monitoring and enforcement		
A member can borrow up to three times her savings	IN most groups the rule: member can borrow up to three times, adhered to in two groups only 2 times	In several groups some members borrowed up to 5-6 times their savings.
Monitoring/enforcement: Loans have to be repaid after three months at the latest		In the great majority of groups members could stay with loans until the end of the cycle as long as paid interest
Calculation of share-out: profit divided based on savings	Yes	Yes
Calculation of share-out: if member has not repaid the loan by the time of share-out, her savings are deducted to offset her loans, which means that she receives less profit because she has less savings		In six groups this was the case, in the rest their savings were not deducted. Regardless of whether members were late, they first received their (estimated) profit, from which the outstanding loan was deducted, hence no sanctions were imposed
The methodology does not take into account that trainers might appropriate group resources		No rules/guidance to members to ensure that trainers did not appropriate

<i>SG rule introduced by CARE/trainer/monitored and enforced by trainer</i>	<i>Respondents reported that rule was in use</i>	<i>Observation that rule was in use</i>
		group resources
Information rules		
The amount members can save, borrow, owe as well as the cumulative savings and loans should be announced. Also, members should memorize the total amount outstanding		What members owe is announced in most of the groups, Total amount of loans and cumulative savings not announced in any of the groups
The role of ledger is so that secretary and also, all the members can crosscheck that the figures tally with those in individual passbooks	In several groups, respondents reported that they were told that they were not allowed to look at the ledger book (e.g. "mind about your own business, this is my book", one secretary told members interested in looking at it)	
Aggregation rules		
All the transactions must happen during the meetings so that everybody can see and agree what is happening		In most groups all the transactions occurred during the meeting. In only two groups did some members save and/or repay loans outside of the meeting
Before loans are given, members should discuss who gets what		In practice this happened only in a minority of groups
In the majority of groups, trainers had suggested that as a last resort members should take assets from members that were not willing to repay		Assets were taken in quarter of the groups with the assistance of trainers. Assets were taken in only one of eight groups without the direct assistance of the trainer
Payoff rules (costs and benefits)		
Every member has to save in each meeting at least one share	Yes	Most of the members saved in each meeting; incentive to save because the profit was based on the amount saved
Group decides whether there are fines for breaking the rules and the amount of these fines	Groups had fines for non-attendance, coming late, for phone ringing in the meeting, etc.	Half of the groups enforced fines Many groups with fines for breaking rules do not enforce them
All loans have to be paid back within three months. However, no rules/agreements how to	Loan should be repaid after three months. If not, the group talks to the person,	Even though after 3 months loan in default, usually no action before end of cycle

<i>SG rule introduced by CARE/trainer/monitored and enforced by trainer</i>	<i>Respondents reported that rule was in use</i>	<i>Observation that rule was in use</i>
get the loan back	but the group usually waits until end of cycle	
If a defaulter has not repaid the loan in full at the time of share-out, their savings are deducted to offset their loans.		In six groups this was the case, in the rest their savings were not deducted, meaning that there were no sanctions for being late.
Group leaders supposed to monitor and enforce that a defaulter repays after three months		During the first cycle the presence of the trainers ensured that the loan was repaid, which meant that that group leaders got little experience of enforcing repayment
Group members supposed to discuss sanctions and enforcement methods and agree on them.	In half of the groups, members claimed they would take assets if members were not willing/able to repay loans	Lack of adequate discussion on sanctions and when and by whom sanctions were to be enforced Only the FBO groups in Rachuonyo had a systematic enforcement strategy that included also holding members assets until they repaid or even selling assets. In half of the groups assets were never taken
The methodology did not propose any rules		In only two groups did members enforced severe sanctions like confiscating assets. In six groups the trainers enforced the sanction of taking assets
The methodology did not propose any rules	In several groups, if assets were taken, all the group members had to go to defaulters house and any person not attending would have to pay a fine of Kshs 200	In several groups, if assets were taken, all the group members had to go to defaulters house and any person not attending would have to pay a fine of Kshs 200
the GSL methodology assumes that after the first cycle SG has 'graduated', i.e. is independent and, hence no further contact with the trainer is required This means that no rules regarding whether and for what purposes the group should pay		Since the methodology is not clear on whether the groups should pay for the services of a trainer, delivery channel representatives appropriated funds in several groups

<i>SG rule introduced by CARE/trainer/monitored and enforced by trainer</i>	<i>Respondents reported that rule was in use</i>	<i>Observation that rule was in use</i>
for the services of a trainer		

Data from chapters five, six and seven

As table 8.1., which was adapted from Ostrom's rule categorization, indicates, the SG methodology has rules in all the required categories. The green items in the left column refer to SG trainers having introduced the great majority of these rules to the groups, whilst in the second and third columns this shows the cases where the groups actually followed the rules. For example, the idea of election of leaders had been introduced in all the groups and all claimed that they held elections. The idea behind having elections was naturally to get rid of poorly performing leaders and replace them with better ones. However, as has been shown in chapter 7, even though elections were held, not all the groups were able to remove leaders that did not follow the rules nor was the ballot secret in most cases. In most of the groups the leaders from the previous cycle continued in that role for the next and if these people were changed, this happened openly through a show of hands. However, as the large amounts of red text in the middle and right hand column indicate, there were several rules that had been introduced but were not practised in the majority of groups. For example, even though the trainers had suggested that members should repay their loans after one month and at the latest after three months, there were several groups where this did not happen and some members kept their loans throughout the whole one year cycle. Similarly, despite the trainers having introduced a share-out procedure where late repayers did not receive their bonus, in three quarters of the groups these people did receive one.

Table 8.1 also illustrates that there were gaps in the SG methodology. For example, according to it groups were supposed to come up with rules regarding sanctions, if the members were not repaying their loans on time and most had agreed to charge small fines, if they did not repay after three months. However, the rule of charging fines was not followed by the majority of groups. Nevertheless the most serious gap becomes clear not so much from the simple enumeration of gaps but the results of them as we have shown above. In the context of savings and loans, getting funds back is an absolutely central task and yet the SG methodology only suggests that the groups themselves should come up with sanctions and enforcement strategies to ensure loan repayment. However, it is clear from the discussion in the previous chapters that this was poorly implemented, to the extent that "we were told to love one another", which is far from a practical approach to enforcement. Neither did the implementer, namely, CARE. or most of the trainers ensure that the groups had discussed and agreed upon the sanctions. In

fact, as chapter six has shown, only groups under the trainer Timothy had a strong follow up procedure regarding defaulters and only one group was able to enforce any sanctions after the trainers became less involved. Moreover, it appears that Timothy's implementation of an enforcement strategy to repossess assets in the event of non-payment was very much of his own making.

Ostrom's rule categories presented in table 8.1 are helpful in the sense that they clearly show the numerous ones that were not in use as well as the gaps in the SG methodology. However, one of the weakness of her static perspective on rule categories is that it does assist in providing understanding as to *why* rules are not in use. In the next section, to what extent Ostrom's design principles were in use and the degree to which they can assist in explaining whether or not the rules were institutionalised is discussed.

8.2.1. Explanatory power of design principles

As discussed in the literature review, Ostrom (2005) has also sought to identify principles that describe the process through which the institutionalisation is achieved. She suggests that these design principles or the common features of successful group-based institutional arrangements required are participation by members in crafting or modifying the rules, monitoring them, agreeing on graduated sanctions, their enforcement and conflict resolution as well as whether these rules are being applied.

In this subsection, each of these is considered in turn with aim of determining the extent to which each can shed light on group trajectories in terms of performance.

1. Participation: The SG methodology states that training is participatory and that group members should come up with several key rules. However, the training was externally prescribed and the findings indicate that few groups discussed and agreed these rules, despite this being the intention of CARE. According to the methodology, the trainers have a key role in ensuring that group members discuss and agree, e.g. what sanctions the group will use against the group members that do not repay on time or that do not do so by the time of share-out. This participatory discussion and agreement did not take place in most of the groups, because the trainers did not invest heavily in ensuring that they participate in the rule design and consequently, they were less likely to "own" the group rules.

Also, the incentive system of the project encouraged the trainers to form as many groups as possible, but there were no such incentives to ensure the quality of participatory processes. Indeed, the methodology clearly puts little emphasis on developing the trainers' skills in this process or on how to manage the potentially uncomfortable dynamics of managing such discussions among people who are friends or relatives. During the early stage of the group formation, trainers were under pressure to form groups and in doing this, the potential future difficulties were clearly glossed over. It is understandable why most of the trainers would find this difficult, given that they belonged to the same community.

The findings indicate that the trainers were not explicitly requested when introducing the methodology to explain that discussion and agreement on a set of rules by the group through participation was essential. In addition, little evidence came to light that groups had made such agreements during the constitution process. Hence, this does not accord with Ostrom's assertion that "rules take time and effort to develop [by the group], try out, modify, and then experiment again" (Ostrom 2005, 264), which indicates that nearly all the groups failed to deliver active participation through the methodology. In fact, the approach was only nominally participatory in that the groups were asked to come up with less important rules, like when to meet and the level of fines that should be collected for certain offences. Consequently, the methodology in its current form fails to be participatory in the transformatory/empowering sense that Ostrom (2005) promotes (see the discussion on different types of participation in literature review (White 1995, Cornwall 2003). Ensuring that the whole group participates in designing, testing, modifying and testing again their own rules, the way Ostrom proposes, would have been likely to produce a greater transformation of understanding. However, it has to borne in mind that in the case of Ostrom, the participation took place in an endogenous institution without any outside intervention, whereas regarding the SGs there was such intervention. Ensuring from outside that there is participation is certainly more complicated than in an endogenous institution where people are already members.⁷²

⁷² However, Ostrom does not problematize the nature of participation. Even in indigenous institutions the poorest might participate less than the wealthy. Neither does she discuss the fact that social relations matter regarding participation in that some community members are included and others are excluded or marginalized.

The findings indicate that the designers of the incentive system and CARE were in critical ways responsible for so little participation taking place. Indeed, it is clear that the SG methodology has little participatory ethos underpinning its implementation at all. This dynamic aspect of participation, as suggested by Ostrom, in which groups learn from their mistakes and modify rules in order to improve them was clearly lacking. Indeed, there were no groups that were clearly in control of the methodology in such a way that they modified it in order to improve it or adjust what they were doing to make it work better. All of the important rule modifications resulted from an inability to manage poor performance and adjusting to this reality rather than seeking to find ways to adhere to an original vision of what was to be achieved. In sum, the failure to meet Ostrom's first design principle of participation meant that there was no sense of ownership of the overall vision of what might be achieved by the group.

2. Monitoring: The findings indicate that Ostrom's second design principle, monitoring, was not properly implemented. According to the methodology, after the first cycle when the trainers left the group, the leaders were supposed to monitor the members, who were to be provided tools through which they could also monitor the leaders. In a few groups leaders monitored meeting attendance and latecomers. Loan repayment was only monitored in the sense that members with late loans had to pay additional monthly interest and in only one quarter of the groups was an additional fine for late repayment. This lack of monitoring seems to stem from the lack of participation in the design of rules. In addition, there were no incentives for members to monitor leaders or vice versa. The fact that neither leaders nor members had built in incentives to monitor helps to explain why some of the rules in some groups were not followed.

As in CPR institutions, in the SG methodology there was also an idea of the need to monitor the whole resource. Accordingly, the leaders were supposed to announce the total size of the fund during every meeting and, interestingly, this rule was dropped by all the groups, with the total fund never being announced. However, the leaders did proclaim what individuals had saved and borrowed, which group members seemed to be satisfied with as long as they got a loan and at the share-out their savings back plus some interest. Hence, even though the leaders in most of the groups were able to

cream off some of the funds through default and misappropriation, they still were able to reach an equilibrium by ensuring the members still were able to get loans and some profit. In general, there was a lack of concern about the overall distribution at the group level, as long as the members saw that they individually got something. This raises the issue of their being group hierarchies, such that different members might have had different access to the resources available depending on the intensity of their relationship with the group leaders. As discussed in chapter 4, the members in indigenous ASCAs that operated in Nyanza were not able to know the total fund amount, for only the leaders were party to this information.

Since the groups were not doing the monitoring for themselves, as emerged in chapters six and seven, external monitoring was happening in varying ways which was not part of the plan and were implemented with different degrees of care and support. Indeed, it appears that monitoring by trainers was undertaken to an extent beyond the original intention of this being only for the first cycle. The incentive for this was the payment that they received for doing so, especially at share-out time.⁷³ This incentive fits with Ostrom's design principle on monitoring in the sense that monitors need incentives to perform the role effectively, but this is not the intention in the methodology. However, in this cultural context paying for services received is an understood aspect and groups therefore also had to pay "lunch" for the trainers. Hence, the incentive for trainers to continue monitoring was not part of the methodology, but arose out of the local norms and because the groups were not confident enough to perform the share-out on their own at the end of the first cycle. Another reason why groups were interested in staying in contact with the trainers was to have access to the international NGO that might be able to offer other services to the groups. Mosse's (2005) theoretical framework is able to capture these other reasons better than Ostrom's, which is discussed in section 8.4 below.

3. Graduated sanctions and enforcement. Ostrom's third design principle, graduated sanctions and enforcement, was not properly institutionalised in the great majority of the observed groups. The trainers were supposed to ensure that they discussed sanctions and agreed among themselves how these would be enforced. As the findings from the two qualitative chapters indicate, there had clearly been a lack of adequate

⁷³ However, during the third and fourth cycles, share-out meetings were attended by fewer and fewer trainers.

discussion on these issues. Out of the sample of eight groups, at most four had some kind of enforcement strategy, and in at least two of these cases it was the trainer who was taking the initiative. In practice, most groups had only talked about the amount of fines. According to the methodology, after one or three months, if loans were outstanding, then sanctions were supposed to be imposed, but only in two groups out of the eight did members pay a fine when this was the case. However, this fine was usually not applied for more than a couple of months even though the member had still not cleared her loan. In the stricter groups members were also reminded during the cycle that they were late but they were able to stay with their loan as long as they paid interest. It was first at the end of the cycle, after the share-out had been delayed, when the group took hold of defaulters assets in order to ensure repayment. This means that even in the groups that tried to enforce these rules, during the cycle the increasing incremental penal element was not evident and even at the time of share-out, when this had to be delayed because defaulters had not repaid, there were no additional sanctions for the defaulters. In the majority of the groups that were more relaxed, there were no sanctions and hence, no increasingly punitive fines for default on loans. In addition to not discussing sanctions and enforcement during the group training, there were other reasons why these matters were ignored. In particular, the social and kinship relations made enforcing sanctions challenging. There was also a general expectation among the groups that the trainers were or should be in charge of this.

4. Conflict resolution: In the SGs, this usually meant ensuring repayment at the time of share-out. According to the SG methodology, after the group had been trained, the group and especially its leaders should have been able to ensure timely repayment of loans. However, in practice the groups that still had a relationship with the trainer expected him/her to resolve any disagreements. This is supported by the quantitative results that indicate that in the groups where the trainers were still involved, enforcing repayment was more successful and faster than where they had withdrawn. Moreover, financial performance was weaker in the groups where trainers were no longer actively involved.

Since the methodology assumes that groups are able to resolve their internal conflicts themselves, no alternative conflict resolution mechanisms were discussed. The local

mechanisms for this outside of the group conflict resolution that members were aware of were either the police or the chief, but they were hesitant to take the default cases to these people. As discussed in chapter six, the chief and police were perceived of as being expensive: they usually demanded a fee amounting to half of the outstanding loan. They were also perceived as corrupt, sometimes non-partial and unreliable. In one SG group the police had actually supported the members that stole money from the group because they were able to pay more to them (KI-4). Regarding the local conflict resolution mechanisms, it would appear that Ostrom assumes that if they exist, then they will function effectively. However, there was no discussion of what mechanisms to use in the situation of conflict in the observed groups and moreover, the locally available mechanisms of the police and the chief were so costly that in most of the cases they were not willing to use them. In cases when they had been used, they were often not reliable, in the sense that even though they were paid, they did not deliver.⁷⁴ It seems that what needs to be asked, is not whether there are local conflict resolution mechanisms in place, but rather, whether they actually work such that the community is willing to use them when required. As part of the methodology of institutionalising new rules is to discuss conflict resolution at the outset. CARE should have been adjusting the approach according to whether or not these mechanisms were available and working effectively as well as introducing this discussion as part of the methodology. Whether the conflict resolution mechanism works or not is again related to power and as discussed in chapter seven, the power relations were complicated, but Ostrom's framework does not deal with this.

8.2.2. Ostrom's rules and design principles: discussion

To conclude on Ostrom, the extent to which the adoption and use of SG rules can be explained through her framework needs to be assessed and regarding the different rule categories, she notes that all need to have rules-in-use. Drawing on the findings in chapter 5, Table 8.1 illustrates an adaptation of Ostrom's rule categories in accordance with the rules that were introduced to the SGs. It clearly shows that in groups where the SG methodology prescribed rules were also the rules-in-use under the different rule categories, the groups performed well. But as the findings have indicated, having rules in all of these rule categories was not enough.

⁷⁴ For example Bosire collected money for the police so that they would then harass the defaulters, they never did anything. On the other hand, regarding the group where Grace had taken money, the chief did what he was asked to do.

That is, there are gaps in the rules or at least reinterpretation of them different levels, with the most critical concerns relating to sanctions and enforcement. It has also emerged that external intervention was critical (even after the first cycle) in ensuring good performance, which implies that the process of institutionalising the rules internally within the groups was poor.

Institutionalising the SG methodology represented an attempt by an outside agency to establish an action arena with the idea being that once the group had been trained, the outside agent would leave. The fact that the SG rules were not followed can at least partly be explained by the fact that Ostrom's design principles were not followed. Discussion on these has clearly shown that the process through which the groups were established was clearly not adequate as the implementer did not sufficiently identify the range of potential weaknesses in the methodology in addressing critical areas. Further, Ostrom's emphasis on the role of participation is absolutely central in achieving adequate ownership of the rules as well as adapting them to actual performance. This first design principle would have required a very strong participation in which all group members were engaged in developing and adjusting rules, which was fundamentally absent across groups. In particular, there was no active experimentation during the training process, that would have enabled the trainers to work with the groups in slightly different ways so as to establish the means by which groups could be encouraged to truly develop their own sanctions. Had this occurred, then the institutionalisation process would have been one in which the rules were actively tailored to the ability of groups to operate involving a range of approaches aimed at improving performance. Moreover, the trainers themselves were not coached so as to acquire the necessary skills to be able to make such a participatory process a reality. That is, the methodology only provided the groups with a highly generalized blue print and consequently, perhaps understandably the groups and trainers neglected the more challenging areas in that blueprint. Since critical weaknesses were not identified and genuine participation not ensured, the role of the outsiders (trainers) became critical in ensuring and rules were monitored and sanctions enforced, which led to most of them remaining in charge of this after the first cycle, even though they were not supposed to do so.

Regarding the other design principles, as this section has discussed, monitoring was not strict and sanctions and enforcement were not properly discussed. Consequently, there was no agreement on how to implement them and/or resolve conflict helps to explain why the rule institutionalisation was not good. In the groups where the rule following was better, enforcement was in most of the cases through external intervention. Perhaps most

importantly, CARE did not properly ensure that monitoring, enforcement and conflict resolution were in place.

Regarding the implementation of design principles more generally, when Ostrom's design principles were not followed in an action situation, for example when the members did not participate in crafting of the rules, it is not clear in Ostrom's framework who will then introduce and implement the design principles and how they will be introduced. The likely reason why Ostrom does not problematize the implementation of design principles is that she has largely studied successful indigenous CPR systems and in the case studies that she investigated all the key design principles were already in place. Hence, the question of what to do when these principles are missing did not arise. However, in the case of SGs the implementation process was at least partly exogenous, in that the rules were provided from outside. As discussed in the literature review, Ostrom notes that if external rules are imposed on a group, it does not develop its own internal rules and also, will be unwilling to enforce the former (Ostrom 2000). This implies that if members are not willing to implement design principles, an external agent is hardly likely to introduce them successfully either.

Mosse (1998) notes that Ostrom's framework does not explain how change happens, that is, she does not provide any discussion on how rules or design principles might evolve or change and what social, cultural or political forces might cause that change (Mosse 1998, 8). Much of the variation in rule following can be explained on what the trainers did or did not do when the group leaders and delivery channel representatives defaulted and/or appropriated resources. Part of the variation was also explained by internal group dynamics, general relationships and kinship relations where power was also involved, all of which made it difficult to institutionalise suspicion within the groups. Hence, it can be concluded that while Ostrom's framework assisted in analysing the lack of genuine participation, however, external intervention and the interaction of power dynamics with this within groups owing to kinship and other power relations are not adequately addressed within Ostrom's framework. In fact, her framework does not explicitly deal with power. Next, whether Mahoney and Thelen's view provides additional useful angles for understanding the dynamics of SG institutionalisation is assessed. These authors examine institutional change from a perspective of power, power balances and agent politics.

8.3. Institutionalising SG rules: insights from Mahoney and Thelen

In the literature review Mahoney and Thelen asked two questions:

- “Does the political context afford defenders of the status quo strong or weak veto possibilities?
- Does the targeted institution afford actors opportunities for exercising discretion in interpretation or enforcement?” (Mahoney and Thelen 2010, 18)

Based on these two questions the typology in table 8.2 was created. This section discusses whether and how this can assist in explaining what has been taking place in relation to the implementation of the SG methodology. Mahoney and Thelen (2010) deal with political settlements that are in the context of wider political economy. However, I consider that this theory can be applied at the micro-level to provide useful insights, as demonstrated below. Specifically, I am going to use the theorization by Mahoney and Thelen (2010) as a heuristic device.

Table 8.2. Mahoney and Thelen’s typology of institutional change

		Characteristics of the Targeted Institution	
		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	Strong veto possibilities	Introduction of new rules on top of the old ones Layering	Neglect of existing/old rules Drift
	Weak veto possibilities	Removal of old rules and introduction of new ones Displacement	Active change in functions of existing rules Conversion

Adapted from Mahoney and Thelen (2010, p. 19)

In order to apply Mahoney and Thelen’s typology to the SGs, certain adaptations need to be made. The typology is a predictive tool, which takes the pre-existing situation and suggests where it will end up. I take it that the pre-existing situation, i.e. the situation before the introduction of the savings groups methodology, is an indigenous ASCA group and in terms of rule enforcement, this group belongs in the high level of discretion category in Mahoney and Thelen’s typology. This is because as discussed in the context chapter, there is a wide variation in rule enforcement in indigenous ASCAs. What the theory is suggesting is that an institution with an initially high level of discretion will end up either drifting, if there is a strong veto or converting if this is weak. However, conversion is not an adequate description of what is taking

place in SGs. That is, the SG methodology introduces new rules, not "active change in functions of existing rules" as the typology above suggests (Mahoney and Thelen 2010, 19). Specifically, the aim is not to have the old, existing, rules functioning differently, but rather, to have new ones adopted and enforced. This also implies moving from a high level of discretion in rule following to a low one. This adaptation thus turns Mahoney and Thelen's typology into a dynamic framework, which is about changing the level of discretion of the rules, whereby groups move from high to low discretion or vice versa. This involves inserting an additional layer into these authors' typology.⁷⁵

One way of considering the aim of the SG methodology is that it seeks to move ASCAs from a situation where there is a high level of discretion in the interpretation and enforcement of the rules to one where there is a low level. However, Mahoney and Thelen's framework is not explicit about who is creating the change. Given their macro perspective, it seems that the assumption is that the government is creating the change, i.e. trying to introduce something new and according them either strong or weak veto forces to this change exist. Weak veto means that no one is likely going to stop the government change initiative, whereas if there are strong veto forces, they are more likely to prevent the change process. In the case of the savings groups the set-up was different in that the possible veto forces were the same actors who were supposed to ensure the enforcement of the new rules, i.e. the trainers and the group leaders.

According to Mahoney and Thelen (2010), when the aim is to introduce new rules and ensure that they are also adopted, a weak veto and a low level of discretion is required. In the context of the savings group dynamics, the trainers needed to have a positive influence in implementing change, so the issue was not about a weak veto. As the discussion in chapters six and seven has shown, for this to happen both the trainers and leaders had to have a positive influence in enforce the rules.. Moreover, the equivalent of a strong veto in the context of the savings groups is when some trainers and leaders wanted to prevent the shift from a high to low level of discretion. Hence, in order to make the Mahoney and Thelen typology fit the SG situation better it needs slight modification, such that the change agents that facilitated change and enforced the new rules are now called agents with positive influence, which replaces the "weak veto possibilities" in the typology. The strong veto of the typology remains and refers to those actors who opposed the introduction of the new SG rules or who proactively worked to ensure

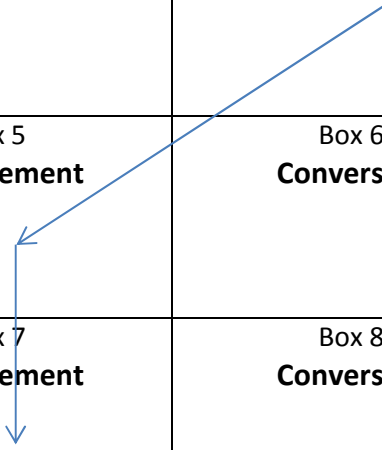
⁷⁵ Mahoney and Thelen (2010) are simply saying that if you start with high discretion and you can introduce new rules without a veto then conversion takes place in which the existing rules change function, whereas if you start with low discretion and have a weak veto then you end up displacing the old rules rather than converting them.

that the new rules were not followed. In my modified typology under both the veto and positive influence there are vetoes by trainers and by leaders as well as the positive influence by these people. check Table 8.3 presents the modified typology.

Table 8.3 also shows assumptions regarding the expected progress under the SG methodology, whereby the untrained groups were to be first, through training, shifted from a high level of discretion in interpretation/enforcement to low one during the first cycle (from Box 2 to Box 5). During the second cycle when the trainer is no longer present the group remains at a low level of discretion as under the SG methodology it is assumed that there are no veto powers that would move the group back to high level of discretion in interpretation and enforcement. According to the methodology, during the second and consequent cycles positive veto or enforcement of the key rules is carried out by the group leaders/members. This means that trained groups from the second cycle onwards are in box 7. Having veto and positive influence in separate boxes does not indicate that in some groups there would only be the former and in others just the latter.

Table 8.3. Adapted Mahoney and Thelen typology of institutional change during last observed cycle

		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	<i>Strong veto by trainer</i>	Box1 Layering	Box2 Drift
	<i>Strong veto by group leaders⁷⁶</i>	Box 3 Layering	Box 4 Drift
	<i>Positive influence/enforcement by trainer</i>	Box 5 Displacement	Box 6 Conversion
	<i>Positive influence/enforcement by group leaders</i>	Box 7 Displacement	Box 8 Conversion



Adapted from Mahoney and Thelen (2010, p. 19⁷⁷)

In table 8.4 the adapted typology is applied to SGs. The implementation of the SG methodology had managed to convert half of the groups from a high level of discretion to low one, which were the well performing groups where the rule following and financial performance were better. Three groups (Ongoro, Awuor and Kabonyo) out of the sample of eight groups were found to be in box 7 at the end of programme and one group (Amabele) in box 5.

⁷⁶ In the case where the new rules were against the local norms, then it would not only be the leaders but the whole group that would veto the new rule.

Table 8.4. Adapted typology of institutional change showing groups during the last observed cycle

		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	Strong veto by trainer	Box1 Layering	Box2 Drift Tumaini
	Strong veto by group leaders	Box 3 Layering	Box 4 Drift Boburia Engoa Etanda
	Positive influence/enforcement by trainer	Box 5 Displacement Amabele	Box 6 Conversion
	Positive influence/enforcement by group leaders	Box 7 Displacement Ongoro Kabonyo Awuor	Box 8 Conversion

Adapted from Mahoney and Thelen (2010, p. 19)

According to the SG methodology, all the groups should have been in box 7 after the first cycle, because from then on it was the responsibility of group leaders to enforce rules. However, only three groups were in this by the time of the last observation, because, as discussed in chapter seven, they had been able to enforce repayment of all loans before the share-out without the assistance of the trainer. Two of the groups also performed the share-out without the assistance of the trainer. These actions indicated that the group leaders were able to exercise enough positive influence to keep the groups in the low level of discretion category. As discussed in chapter six, even though the group leaders had a primary role in enforcing rules, trainers also intervened in these three groups to ensure a low level of discretion. However, the role of the trainer had been even more central in one of the low level of discretion groups (Amabele) and hence it has been placed in box 5. It was not clear that all the groups coming under a low level of discretion would permanently stay there. As discussed in chapter seven, in one of these groups (Awuor) the leaders had not been happy with the way trainer had ensured

enforcement of repayment and did not want to continue using his methods. Hence, there was a possibility that this group would slide back to a high level of discretion.

Half of the groups, generally the poorly performing ones, were in the state of high level of discretion in interpretation/enforcement in spite of having been trained in the SG methodology. Three belonged to box 4, which is where all the groups were assumed to be before the SG intervention and one has been allocated to box 2. This group (Tumaini) has been placed here, because the trainer, Grace, had a key role in ensuring that the group soon after the training moved back to a high level of discretion, even though leaders were also responsible for default and mismanagement. Regarding the three groups in box 4, the driving force for vetoing the new SG rules was that the leaders benefited from the new rules not being followed. A common feature in all the high level of discretion groups was that the leaders were free to exercise a veto, because the trainers no longer visited or if they did, they had stopped trying to enforce the new SG rules. As discussed in chapter seven, members in some groups attempted to uphold the positive influence or remind the leaders that new rules should be enforced, but they were invariably too powerful and hence, the groups returned to a high level of discretion.

Regarding the change strategies, as table 8.4 shows, the groups that had institutionalised more crucial rules are in the two displacement boxes (5 and 7) and the groups that had failed to adopt these or even no rules at all, are in the drift boxes (2 and 4). Displacement refers to the change strategy of the removal of old rules and the introduction of new ones, with the outcome making sense as well as being effective. These groups had certainly adopted more SG rules than those in the drift boxes. The fact that some of the groups after the training were sliding back to high level of discretion is easier to explain within Mahoney and Thelen's framework, if the groups slid back from layering to drift than from displacement to drift. Sliding from layering to drift implies that the group just ignored the most recently adopted rules and returned to the old, pre-existing ones. The high level of discretion in interpretation groups (not so successful groups) are in boxes 2 and 4, which according to M&T, would use drift as a change strategy, whereby the rules would be implemented in groups in very much varying ways.

As discussed in the literature review, Mahoney and Thelen (2010) call the agents in the displacement box insurrectionists, because they actively try to replace the pre-existing rules with new ones and Timothy fits this description well based how his approach was described in chapter six. This would appear to imply that in order to create new groups that follow rules without any outside intervention the methodology requires insurrectionists as trainers.

However, the discussion in chapter six has shown that Timothy was indeed an exception and most of the trainers did not have the qualities of an insurrectionist. The agents responsible for drift Mahoney and Thelen call parasitic symbionts. This is also a strong term and describes well the strategies of both Bosire and Grace along with the group leaders in Boburia, Engoa, Etanda and Tumaini, who were diluting the methodology for their own benefit.

To conclude on Mahoney and Thelen's typology, in order to make it of relevance the SG methodology I modified it. Specifically, weak veto possibilities were replaced with positive influence, because some of the change agents facilitated change. Further, I specified the actors as being trainers and leaders who could exercise positive influence or a veto. The framework was also modified in the sense that the context in a particular situation was not seen as being static in the sense that there was either a high or low level of interpretation of rules, but rather, it took account of change agents being able to shift groups between these two categories. Considering the SG methodology through the M&T framework, it would appear that there was the assumption that prior to the external intervention a high level of discretion existed⁷⁸ and the aim was to train people in better ways to govern and manage their groups. Through this process of training and monitoring the trainer would take the group from a high to low level of discretion. The SG methodology also seemed to assume that when the trainer is taken away from the group after one year, there will not be any strong veto powers that would move the groups back to high level discretion. If there are negative veto powers, group leaders and members will have internalized the new rules, thus ensuring that the groups remain in the low discretion category. As the modified table and the have discussion indicated, these assumptions of the methodology do not hold, for there were several kinds of veto powers exercised that pulled the groups back to a high level of discretion.

The modified framework and the discussion around it have also shown the need for an alliance between the trainers and groups in order to create change. The results indicate that there has to be adequate internal demand for change from members through having elected leaders that wanted to implement the new rules or via changing their leaders if they had not initially chosen ones that wanted to enforce the rules. However, having internal demands for change was usually not enough, for in addition it required good external enforcement by the trainer to ensure that the group retained a low level of rule interpretation. This is an important finding since the formal methodology assumes that trainers have already gone during the second cycle.

⁷⁸ In Kenya in general and in indigenous groups

As the evidence has shown, in all the groups that remained in the low level interpretation boxes the external enforcement by the trainers was stronger than those that returned to a high level of interpretation in rule following. However, as the experience with high level discretion groups indicates, despite the trainer being tasked to provide external enforcement aimed at lowering, if leaders were not willing to follow then that person could not change the direction of the group.

What Mahoney's and Thelen's modified framework does is that it introduces the power of different actors in the context of a potential change, and highlights their strength as well as their impact on whether the new rules are institutionalised or not. Consequently, this framework enables the observation of different sources of power, power from outside in the form of trainers and delivery channels and power from within the groups. However, neither Ostrom nor Mahoney and Thelen have included explicit external intervention in their framework. Next, Boettke et al's (2008) theorem is discussed and then, Mosse's (2006) who both deal explicitly with external intervention.

8.4. Institutionalising SG rules: insights from Boettke et al.

An outside agent attempting to change the collective action situation (CARE and its delivery channels) is central in the introduction of the SG methodology. As reviewed in chapter two, Boettke et al. (2008) focuses explicitly on foreign introduced and indigenously introduced institutions. The author also emphasizes that the new institutions need to have a link with metis, the local culture, or be traceable to it or local norms. Boettke et al. claims that institutions belong to one of the following three categories:

- indigenously introduced endogenous (IEN) institutions
- foreign-introduced exogenous (FEX) institutions
- indigenously introduced exogenous (IEX) institutions

In table 8.5 I have arranged Boettke et al.'s (2008) categories into a matrix.

Table 8.5. Boettke et al.'s typology: how institutional change is introduced

	Endogenous institution	Exogenous institution
Indigenously introduced	IEN	IEX
Foreign introduced		FEX

As the table shows, one of the boxes in the matrix is empty. Boettke et al. (2008) does not see a possibility that endogenous institutions could be foreign introduced, it would be a contradiction. According to them, the most likely institutions to endure are indigenously introduced endogenous (IEN) ones. However, the problem is that the endogenous and indigenously introduced institutions, like the indigenous ASCAs, are problematic, because they have not “institutionalised suspicion” or in other words, are not very transparent or accountable. The SG methodology can therefore be interpreted as having the aim of introducing some external ideas, whilst at the same time ensuring that the methodology has enough endogenous elements or is indigenously introduced so that it “sticks”. Hence, the essence of Boettke et al.’s (2008) theorem is to identify the required balance between endogenous and exogenous institutions along with indigenous and foreign processes for introducing them.

It is not immediately obvious into which boxes in the matrix the savings groups fit. The SGs have been built on the principles of indigenous ASCAs and ROSCAs that are close to local norms, i.e. very close to endogenous institutions. However, SG methodology added rules to these ASCAs in an attempt to upgrade them and make them more transparent and accountable. These additional rules were introduced “from above” by an international NGO, with there being elements of exogenous rules and some degree of “foreign” introduction. The SG methodology has the aim of taking an endogenous institution, an indigenous ASCA, and improving it by revising the rules in ways that are not familiar to members. Hence, amongst Boettke et al.’s (2008) alternatives an IEX would appear to be what this institution is. This is because rules are introduced through a process of outside intervention which involves insiders. At the highest level it is foreign introduced, but it is delivered through a process whereby local Kenyans from the communities are actually mobilising the groups and carrying out the training.

The SG methodology being used by CARE was in part developed in an earlier phase of the project in which there had been experimentation with the model on the ground as a result of disaffection with the results (Johnson and Boulton 2014). However, over time it was codified into an approach through discussions between international experts and the senior management of the NGO. The methodology was then delivered through a hierarchical system of project management in which training was cascaded down from the regional office to the local project offices, whose staff were trained prior to their inducting local staff, FBO staff and franchisees in methodology and these people then trained community members. The qualitative evidence presented in the last two chapters demonstrates how this cascading of

training can affect the ways that the “outside” or “foreign” element of the rules are understood and implemented. While the rationale underpinning elements of the methodology, that of producing improved transparency and accountability of the ASCA, was understood at the highest level, this was subject to some attrition as it cascaded down through the training system. Indeed, there appears to have been a strong implicit assumption that as the training was cascaded down, there would be a clear understanding the rules and their purposes at every level. Consequently, there was no barrier to trainers or leader wishing adjust or reinterpret the rules, who could then easily implement or explain their versions of them to group members.

However, as the findings demonstrate, most of the trainers had clearly not been introduced to the deeper rationale regarding the SGs in relation to transparency and accountability nor did they have an understanding of why the rules should be introduced exactly the way the way the methodology suggested. Many trainers claimed that they had not been taught during the training about the importance of the rules or how to enforce them and hence, a number of them allowed groups to proceed with the share out even when loans were still outstanding. This, therefore, presents a spectrum of implementation between Boettke et al.’s (2008) two levels of foreign and local introduction, whereby the communication of the rules and their underlying rationale, or what is needed to enable them to be implemented, as a result, get lost.

This institutionalisation of rules in an attempt to enshrine transparency and accountability in the groups through a process that involves a chain of actors spanning local trainers to foreign donors seems therefore to cut across Boettke et al.’s categories. That is, the SG model, whilst recognizing the importance of working with endogenous institutions (indigenous ASCA) and acting indigenously to the extent that local trainers were involved in order that changes in the rules would stick, introduced ideas and intentions in relation to transparency and accountability that were essentially foreign. The SG methodology, being considered an IEX institution, suggests that there is a critical balance between being close enough to the culture that the new rules will stick to, while managing also to change those rules and that the process of seeking change has to be one that can allow for this balance to be struck. As Dore has noted, this is clearly a difficult balance, one that requires a clear process of institutionalisation, which as a whole was not consistently achieved in this case. As discussed above, the institutionalisation was not achieved, in part, because the SG rules were not crafted through intense participation and learning that would have enabled the exogenous aspects of the institution to be communicated, understood and brought into relationship with the local culture or metis.

There clearly was variation in practice across the delivery channels as well as the trainers, who achieved different degrees of institutionalisation. As was seen in chapter six, overall, the FBO delivery channel had institutionalised the methodology better than the other channels, especially one of the trainers within this channel, who was able to introduce the rules in a way that retained much of their integrity in practice. Two trainers (Paul and Jacob) were more inconsistent in their practice when compared to Timothy, having the ability to uphold the implementation of critical rules on repayment in some groups and not others. By contrast, the franchisee regional coordinator, namely, Bosire and the CARE assistant trainer, Grace, oversaw a much bigger scale process of rule downgrading. This raises the issue of the role of the individual within the process of institutionalisation. The findings indicate that the trainers became central to this as it was not adequately developed in the project as a whole. Instead, it appears that a number of factors affected their ability to persuade or influence group leaders and their members to adopt new rules. These would appear to include their own understanding of the main reason for the rules being implemented, namely, to ensure fair outcomes for all members, as well as their having sufficient authority, power or influence to achieve this. This means they were put in a position where they had to draw on their own personal resources of integrity, power, social position, cognitive resources and so on. Indeed, Timothy's success was not as a result of a process of participatory discussion and internalization of the rules amongst the group as Ostrom's principle would suggest are needed, but rather, that he had greater personal authority and status, as well as understanding, than the other trainers.

Boettke et al.'s theorem is therefore useful for analysing SGs because it helps in the identification of the potential role of external intervention in the process and facilitates understanding regarding how this might mediate between different approaches to institutional operation. While allowing for external intervention, the theorem at the same time emphasizes the importance of institutional stickiness, i.e. the importance of understanding the local norms and aligning the institutional change with them. Boettke et al.'s theorem also shows how the SG methodology is trying to have a critical balance between the endogenous and exogenous. Endogenous in the sense that it has to stick and exogenous referring to the fact that it is trying to introduce foreign rules like transparency and accountability on the top of the endogenous institutions, in this case, informal financial groups. However, despite Boettke et al.'s (2008) theorem drawing attention to the problematic issue of the way in which endogenous institutions interact with an externally initiated processes of change, it does not address the other key issues that the empirical analysis on power relations and participation uncovered. Neither does Boettke et al's theorem address the detail of the process through which that

change might be implemented, especially the role of the delivery channels and trainers in this process.

8.5. Brokering and translating

So far I have introduced and applied three institutional frameworks presented in chapter 2. and it is clear from the findings that that these frameworks do not adequately explain the variation in outcomes in terms of their dependence on the role of the trainers themselves. Seeking to understand this dynamic demands recourse to a further area of literature. The role of intermediaries in the implementation of programmes and policies has been examined through the lens of the role of “street-level bureaucrats”, as termed by Lipsky (1980) and processes of “brokering and translating”, as coined by Mosse (2005). I outline their contributions before discussing how these relate to the evidence above on the SGs .

The role of those implementing policies in developed countries was examined by Lipsky (1980). His term “street-level bureaucrats”, describes low level government employees who interact with the targets of policy on a daily basis will not have designed the project policies (i.e. rules), but are tasked with implementing them. What his work demonstrates is the way in which such “street-level bureaucrats” have a degree of autonomy and discretion in how they interpret the policy that has been put in place and how this makes them central to the nature of the policy outcomes that arise. Moreover, the operation of this discretion tends to result in their interpreting policies and implementing them in ways that are in line with their own personal preferences and priorities in terms of their values, interests, working patterns and so on (Lipsky 1980; Kaler and Watkins 2001). Indeed, studies have found that the deviations from the official policy are not so much because the street level bureaucrats have not been properly trained or have not understood what they were supposed to do. The deeper reason for deviations can rather be explained by the fact that the “street-level bureaucrats” have different values, norms and intentions than the organization whose policies they are supposed to promote (Kaler and Watkins 2001).

When studying a family planning programme in Nyanza in Kenya, Kaler and Watkins (2001) found that the community based trainers (CBTs) (who are in this case the street-level bureaucrats of that programme) did not pursue the intended policy of making family planning widely available to all those who wished to receive it. In particular, they discovered that the

community health workers did not provide contraceptives for women who had not yet given birth. This was because there was a widespread belief in the community that the use of contraception might damage a woman's chances of conceiving, and the health workers therefore regarded it as problematic to provide contraceptives to young women who had not yet given birth as it might damage their future prospects of doing so. Instead they found that health workers understood the policies but "were concerned with building up their own stocks of prestige and respect from their community members, and ... avoiding blame for any possible negative outcomes of family planning" (Kaler and Watkins 2001, 254). This was particularly the case because they were from those communities and had to live with their neighbours and kin long beyond the timeframe of the programme.

The literature on "broking and translation" takes the analysis of the role that local actors play in implementing development programmes further. Bierschenk et al. (2002), Mosse (2005) and Mosse and Lewis (2006) claim that local development "brokers" have an important role in development with regards to mediating between the different actors. Boissevain (1974) defines the broker as an active mediator between two social units who benefit from this mediation. Bierschenk et al. (2002) argue that the reason for brokers prominence especially in Africa is the weak state capacity, especially at the local level. For, when the state is weak, there is a lot of space for intermediaries between different associations and especially between the donors and the local community. A broker provides an "interface" between different worlds and groups of people, in the SG case, between donors, implementers of the project (the NGO) and the local community (Mosse and Lewis 2006). For Bierschenk et al. (2002), a broker is an "entrepreneur", who for profit manipulates people and information in order to increase understanding between the different parties, with his key resource being his networks. Olivier de Sardan (2005) distinguishes between agents who work directly for donors and rent-seeking development brokers, "between grassroots do-gooders and corrupt actor" (Olivier de Sardan 2005, chapter 11; here Lindquist 2015).

Bierschenk et al. (2002) identified several characteristics typical for successful local development brokers. First, brokers have to master both the local language and culture as well as the language of the development experts or "the development language". Mastering the local language is usually not a problem, if the broker was born in the area, whereas mastering "the development language" requires substantial effort. Second, brokers need competencies to organize, including the roles of the: promoter, federator and capturer. A promoter can, for example, set up local groups for development purposes, whilst a federator is able to bring

groups or communities together into a federation, if the donor so wishes and a capturer will, for instance, bring existing groups into a new project. Third, a good broker also needs "scenographic competence" so as to be able to create a "show window" for the project. Donors and evaluators will then be brought to see this window. Alternatively, brokers will organize a carefully designed show to impress the spectators. Fourth, brokers need to be able to maintain good relations with both the local community and the donor and/or the development experts. Lastly, brokers that have all the above characteristics have often been active in local politics or in civil society organisations where these competencies are also needed (Bierschenk et al., (1992).⁷⁹

Mosse and Lewis (2006) want to add the metaphor of "translation" to that of brokering to analyse development projects. They are not only interested in how brokers operate and mediate solutions between the development organisations and the local communities, for they aim to understand:

"how development projects—always unforeseeable— become real through the work of generating and translating interests, creating context by tying in supporters and so sustaining interpretations The concept of "translation" here refers to mutual enrolment and the interlocking of interests that produces project realities" (Mosse and Lewis 2006, 13).

Actors with different and even contradictory interests can still be brought together in a project as long as the project design or the development policy has a high degree of ambiguity. However, bringing the different actors together necessitates a lot of translation:

"of policy goals into practical interests; practical interests back into policy goals, which is the task of skilled brokers (managers, consultants, fieldworkers, community leader, the subjects of this book) who read the meaning of a project into the different institutional languages of its stakeholder supporters, constantly creating interest and making real" (Mosse 2005, 9).

⁷⁹ There is also a South Asian brokering literature that emphasizes more the clientelist and negative sides of brokering. (see e.g. Neale, Walter C (1983): The role of the Broker in Rural India. In P. Robb (Ed) *Rural South Asia – Change and Development*. London: Curzon press and Simon, Gregory L. (2009): Geographies of mediation: Market development and the rural broker in Maharashtra, India. *Political Geography* 28(3): 197–207.)

Next section attempts to use the concepts of brokering and translation to explain the significant variations in the institutionalisation of SG rules.

8.6. Institutionalising SG rules: brokering and translating

The delivery channels and trainers were given incentives to create SG groups and train them. They had to effectively broker relationships with the groups to achieve these tasks, for which they were paid by CARE. This process involved relying on their ability to translate this intervention so that local communities would understand what was going on and to ensure that the interests of the groups and group members were sufficiently in line with savings group approach as set out in the methodology. As became evident from chapter six, there was one very effective trainer, Timothy, bringing the rules into the local context and the franchisee coordinator, Bosire, who delivered quite the opposite. I am going to first consider them through the lens of brokering and translating, so as to explain the significant contrasts in these two people's group outcomes. The aim is to show how differently they translated and brokered the SG methodology. In fact, Bosire's translation was not really a translation in the Mosse's sense of the expression, but rather a mistranslation.

I begin by analysing how Bosire translated and brokered. His interactions with the groups and CARE show how he actually created "success" on the top of a situation that was a failure from the group's point of view, even though apparently most of the groups did not understand how he was misappropriating group funds. I continue by showing how the 'success' that Bosire produced really convinced CARE that this was the reality. When our research team subsequently revealed something fundamentally different, this resulted in a reaction from CARE and the Franchisee channel. Next, Timothy's translation and brokering are analysed, being followed finally by analysis of the translation undertaken by Paul and Jacob. In terms of brokering and translation, Timothy and Bosire were outliers, whereas those of Paul and Jacob were closer to the profiles of a more typical trainer.

8.6.1. Brokering and 'mis-translation'

As discussed in chapter six, the franchisee channel trainers, especially Bosire, essentially diluted the SG methodology into a local indigenous ASCA methodology: members saved only at the

beginning of the cycle and were able to retain loan as long as they wished. Mosse (2005) talks about translation. In the case of franchisee channel we should perhaps rather, as pointed out above, talk about mistranslation, because the most critical SG rules were left out of the "new CARE" methodology⁸⁰, with only the pre-existing indigenous ASCA ones remaining in place. When Bosire told the groups that the fees that he was collecting were for the implementing NGO, when in fact he was pocketing everything, he was directly lying to them. When some groups realized that the franchisee representative was collecting the fees for himself, they wanted to stop co-operating with him. Hence, Mosse's idea of translating meaning keeping the different actors together was turned on its head and thus, to all intent and purposes was mistranslation.

In the previous subsection, recall that Bierschenk (2002) noted that good brokers need to be good at organizing people, need to master both the language and norms of the local people as well as the development language and also need to be scenographically competent. Bosire was highly competent at organizing people into groups. As noted in chapter six, the franchisee delivery channel had formed more SG groups than any other and Bosire himself had formed more groups than any of the trainers.⁸¹ The fact that he used to be a local politician, a councillor, meant that he had good contacts with local chiefs and politicians, who assisted him in group formation. This is in line with Bierschenk et al.'s assertion that good brokers have often been active in local politics or in civil society organisations. Moreover, Bosire also mastered both "development" languages, which was evident from the fact that he wore the NGO staff badge and NGO T-shirt, adopted the use of NGO forms and falsely promised the groups that if they registered through him with the NGO, they might be entitled to other benefits.

Bosire's scenographic competence became evident in the "shows" that he organized during the group meetings and during the share-outs. As was discussed in chapter six, he made "fake" phone calls to the NGO even though it had already left the area as a further way to ensure that group members believed that he remained as being the mediator and the formal representative, i.e. broker between the groups and the NGO. He also announced that he would take the registration fee and forms to the CARE office, even though it had already left the area. A further way to show his scenographic competence was the way in which he organized the share-out meetings as events where 10 to 20 groups from the area were sharing out at the

⁸⁰ Bosire's term for his adaptation of the SG methodology (Bosire)

⁸¹ Bosire had formed over 500 groups (Bosire interview) whereas the best trainers had formed not more than 150 groups.

same time, food was eaten and a local politician as well as NGO representatives were invited to give speeches. This was to impress the local communities so that they would join new SG groups. He also ensured that even though not everybody had repaid the loans, the share-out "show" was performed as if everything was in order. Bosire told the research team that even after the project had been closed down, he invited CARE representatives to the share-out celebrations and sometimes they did attend. All these actions, served to reinforce group members' perspective that he was associated with the NGO (Bosire and Franchisee owner). Bosire used his scenographic competence mostly to attract new members but also to impress CARE, who although having left this project, wanted to promote it seeming success to other interested parties, as discussed further in the next subsection.

8.6.2. Contrasting success with mistranslation

The directors of CARE who were in charge of the SG project were not happy when they found out that the findings of the research team were not in line with the message that had been delivered to the donor and to the public. Towards the end of field research, the SG specialist from CARE Headquarters in Nairobi called the donor of the project who was also funding the current research. As explained in chapter six, he complained that the research team was only asking "negative questions" from the sampled groups. Further, after the CARE SG specialist had complained about the research team, the director of the SG project called me to arrange a meeting and when we met, he was accompanied the owner of the franchise, namely, Bosire's daughter. This suggested that it was the franchisee channel representative who had complained about us to CARE. The CARE project director informed us that groups that we had met had complained that we were asking "negative questions" and that we had stayed in the groups for too long without giving them lunch. When we asked the franchisee to specify what she meant by "negative questions", she responded that we had asked group members questions about other groups of which those being questioned were not members. She said we had also asked whether these other groups had actually been trained by the Mwalimu (trainer). The franchisee channel trainer (Jacob) who had trained these groups and visited them occasionally was surprised after our meeting, because none of the groups had contacted him to complain about our questioning. At the end of the meeting the CARE project director noted that the franchisee channel had been the most successful, "our shining star" and that other trainers had visited the franchisee channel and that the franchisee owner "is very good, and people come to see her. It is important not to say negative things about her" (CARE project director).

When the draft report was presented to the CARE team, they suggested that the research team did not understand the SG methodology well enough and that our findings on misappropriation were misunderstandings when in fact the payments for Bosire were fee-for-service ones. When the CARE team left they told trainers that wanted to continue training there no was money left to pay them, so they, suggested that the trainers start charging the groups. Several trainers tried to train groups for a fee, but during our last visit none were doing so, because the groups were not willing to pay. It also has to be noted that Bosire was not a trainer, had not been trained by CARE and never trained any groups himself. This is not the first time that influential players have objected to key research findings and tried to discredit them (see Bretell 1993 for a review of similar cases; here Mosse 2006). In sum, even though from our point of view the groups that the franchisee channel trained in many respects involved mistranslation, from CARE's perspective the work that the franchisee had done was a success, because so many groups were produced. This confirms Mosse and Lewis' (2006) point that though skilful translation interests of different parties can be interlocked, in this case, between CARE and Bosire.

8.6.3. 'Enhanced' brokering and translation

When Timothy's translation is compared to that of Bosire, it is near to the other end of the spectrum in the sense that the key principles of the SG methodology were delivered to the groups, largely, as the methodology suggested. Regarding brokering, like Bosire, Timothy was also good at organizing people into groups and this was not least because he had previously worked for civic society organisations. Being from the area, he had the mastered local language and was embedded in local norms. He had also mastered the "development language" owing to his work with civic education and voter registration. Moreover, his role as a church elder and member of the church development committee exposed him further to this language. Timothy's mastering of the development language was evident from the fact that CARE often took foreign visitors to his groups. Timothy's "show window" was the share-out days, but they were rather different to Bosire's, since his intent was the enforcement of repayment. If some of the group members had not repaid by the time of the share-out, he would spend the whole day with the group and tried to convince them all to go to all the defaulters houses and come back with either money or assets. The aim of this show was to ensure that other members would not be tempted to fail to repay on time. Hence, Timothy's "scenographic competence" was directed more at a particular group so as to ensure that members who had not repaid

would learn to do so in future, in contrast to grandstanding behaviour. CARE, in turn, used Timothy's groups as a show window for donors.

Timothy was able to broker and resist the watering down of rules by the group leaders, because he was respected in the community through being an elder in the church and through previously working with voter registration and interacting with the local community. Also, by the end of the research when he had been appointed as a chief, this made it easier for defaulters to receive harsh treatment, if it was needed. This FBO trainer in Rachuonyo was the only one whose social identity, experiences, network, social position and power was sufficient to enable him to broker the original SG methodology despite its gaps into practice. He also had enough power not to allow the translation of the original SG methodology into something that the groups might have been more familiar with that accorded with local norms. However, to ensure that groups continued to follow the original SG methodology, Timothy had to broker the rules continuously, not only during the first, but also during second and third cycles.

To conclude on the FBO and franchisee channels, findings in chapter five indicated that the former performed better than the latter. Even though the sample was small, this might be underpinned by the value structure and the oversight that the church provided. By contrast, the franchisee channel had many fewer constraints, which left it open to opportunistic money behaviour through the SG approach.

8.6.4. Brokering and translating: Avoiding risks

Whilst Bosire and Timothy were almost at opposite ends of the spectrum in terms of translating and brokering, the two remaining trainers, Paul and Jacob, were in between these two extremes. They represented the great majority of the trainers, many of whom were Form 4 school leavers, had undergone less formal training than Timothy and were younger than both him and Bosire. They were not as experienced and good at organizing as Bosire and Timothy, nor did they have the wide existing networks through which both Timothy and Bosire were able to organize groups. Moreover, neither Paul nor Jacob had any formal position through which they exert influence, such as Timothy, the church elder and assistant chief or Bosire, the politician. Finally, they did not turn the share-out into a show.

Because enforcing repayment was a sensitive issue, both trainers translated these issues only vaguely and when the groups did not follow the rules at a later stage, in most of the cases they did not enforce rule following. This led to a situation where enforcing repayment and share-

out was transformed into something that was closer to local norms: Paul and Jacob approved the group policies where members were given time to repay; in many of their groups members could repay their loans even after the share-out. Also, both these trainers were willing to "translate" the share-out calculations into a system where even the defaulters received their profit, even though the official SG methodology is against that. This style of operating and desire to comply with local norms and to avoid upsetting people locally, which in line with the notion of "street level bureaucrats", was underlined when Jacob noted, "I am not an advocate of taking assets... I am also at risk as trainer, so I don't propagate, they might do something to me"(Jacob, CBT 2; 2nd round). This demonstrates his lack of power to confront the local norms and lack of desire to suffer potential cost of his doing so of compromising his long term significant role in the community in which he lived. That is, if he had been too strict, he might have lost any "prestige and respect" he had in the community from engaging with the external actors who brought in the project in the first place and so, by adapting the SG rules closer to local norms he "avoided blame for any possible negative outcomes" (Kaler and Watking 2001, 254). To conclude on Mosse, his framework has allowed for a further facet of the institutionalisation to be uncovered, that highlights the specific roles of the different trainers and delivery channels.

8.7. Institutional change theories and SGs: assessing their usefulness

Evidence from the institutional change processes in the SGs indicates the usefulness of the different institutional theories in explaining the institutionalisation of the SG rules and its variation across the groups. When attempting to explain institutionalisation, Ostrom's framework concentrates on whether the rules are adopted and the process through which the rules are adopted (i.e. the design principles). Adapting Ostrom's framework in table 8.1, by adding into the table the rules that the trainers introduced or were supposed to introduce, the gaps in the methodology were highlighted, including the most critical one regarding enforcement. That is, there was a failure to address what is the core to any institutionalisation in any financial institution, that of members repaying their loans. Ostrom's design principles helped to explain the generally low level of institutionalisation of the rules. Regarding participation, whereas Ostrom's concept regarding this is transformational, the SG's practice was, at best, nominal. Moreover, the incentive driving the implementation of the SG methodology by delivery channels and trainers was the number of groups formed. This meant

that there was rarely sufficient time for thorough implementation of the design principles or for genuine participation by group members so that they would have understood the rules and find them meaningful.

Regarding monitoring, individual group members had a natural incentive to monitor that they themselves received their savings back at the end of the cycle plus some profit. However, there was no monitoring or at most very limited monitoring of the whole loan fund. The fact that there was not a clear understanding about the size of the total fund and accumulated interest, enabled the leaders in most of the groups to achieve an equilibrium in which members were satisfied because they were able to get loans from the group fund, get their savings back at the end of the cycle plus some profit, and some leaders were able to manage group funds in ways that brought additional benefits to themselves through misappropriation and default. In the literature review Ensminger and Knight (1997) , wrote about bargaining as a process of institutionalisation. This equilibrium could be interpreted as being an implicit bargain about the distribution of the benefits between the group leaders and members. Ostrom's design principles note that monitors are supposed to be provided with incentives for monitoring effectively. According to the SG methodology, group leaders and members are supposed to do the monitoring, but it does not stipulate any incentives for doing so. The trainers were supposed to monitor the groups only during the first cycle, but most visited them in subsequent ones and the incentive to do so during these later stages was the payment that they received, especially for conducting the share-out. This incentive fits with Ostrom's monitoring design principle in the sense that incentives are required for effective monitoring, even though the intention of the methodology was not that the trainers would continue providing services to groups after the first cycle.

Regarding Ostrom's design principle on sanctions and enforcement, it became apparent that most groups had not discussed this matter. In the few SG groups where sanctions were applied, a graduation of sanctions, was not evident. Further, in most cases where sanctions were enforced, it was the trainers that had an important role in enforcing them. According to Ostrom's design principles, groups also require local conflict resolution mechanisms. However, the SG methodology assumes that groups are able to resolve their conflicts internally, which as the findings indicate, was not the case. The implementer, CARE, did not ensure that as part of the training there would be discussion on what were the local reliable and effective conflict resolution mechanisms that the groups resort to using if necessary. Even though the design principles and especially, the lack of genuine participation, are able to explain the rather low level of overall institutionalisation, this cannot elucidate why there large variation in the

institutionalisation of the rules between the groups. The reasons that would appear to have resulted in such variation are the external intervention, the differing behaviour of the trainers as well as their status, and the level of authority they commanded. However, Ostrom's framework does not deal with external intervention or focus on the power dynamics between trainers and groups as well as within groups themselves. Another limitation regarding Ostrom's framework is that since it is interested in the outcomes, it does not attempt to explain the reasons why the design principles, in particular genuine participation were not implemented. The findings indicate that it was not easy to discuss sanctions or enforcement mechanisms with relatives and friends. According to local norms, relatives and friends are supposed to help each other. Because the trainers were also from the local communities they were not eager to enforce discussion so as to get agreement on these issues. However, kinship and local norms that can help to explain the low institutionalisation do not feature in Ostrom's framework.

Mahoney and Thelen (2010) emphasize the importance of political dynamics in the introduction of new rules. In order to accommodate the two different sets of actors with power in this situation, I have modified their framework to identify how the influence of trainers and group leaders had an impact on the way in which the rules became institutionalised or not. Moreover, this adaptation of their framework includes an additional dynamic by considering the level of discretion involved as one of features that the methodology is trying to change. That is, their framework does not consider the extent to which institutional change might be about seeking to change the governance process itself. This modified Mahoney and Thelen framework helps to identify the sources of variation in the institutionalisation of rules: the trainers with positive influence were able to move groups from a high level of discretion to a low one, whilst those trainers and leaders with veto power could resist this or even ensure that the groups slid back from a high to low level of discretion. It also helps highlight that the removal of their positive veto power after the period of training led to attrition regarding rule following. In order to remain at a low level of discretion both the trainers and group leaders' efforts were needed. That is, if it was the trainers alone that attempted to enforce the new rules, but the leaders opposed them, then it was the latter who were able to prevail once the trainers had stepped back.

Mahoney and Thelen also note that incremental change is likely to happen when there are "gaps" in compliance, i.e. where the participants have different interpretations of the rules. In my modified framework the key finding regarding these gaps is that this is where most of the variation was and that often led the group back to a high level of discretion. In fact, it was the very committed trainers and leaders who were able to institutionalise the rules. Mahoney and

Thelen call actors who have a powerful enough veto to displace the rules "insurrectionists". Insurrectionist is a very strong word and suggests just how strong the intention has to be actually to implement a set of alternative rules. However, only one of the trainers seems to fit this description (Timothy), while at the other extreme groups were used by some of the trainers to achieve their own ends, which fits rather better with the term "parasites" in situations where there is high discretion and the rules drift.

As discussed earlier, the role of external intervention is not theorized by Ostrom or Mahoney and Thelen. Whilst Boettke et al. (2008) do so, they are pessimistic about the potential for exogenous institutions to stick as a result and take the view that indigenously introduced endogenous institutions will fit best with the underlying culture. They are also of the view that the indigenous introduction of exogenous institutions (IEX) as a middle road in which institutions are exogenous to local communities might be successfully introduced if carried out through an indigenous process. Indeed, although Ostrom's analysis of successful CPR institutions puts them into the IEN category, the design principle of participation is strongly consistent with an IEX approach in the sense that participation attempts to bridge the gap between exogenous and endogenous through indigenously introducing foreign elements.

I have discussed above how the SG methodology cuts across the categories they propose in that it has an element of foreign design, but is indigenously introduced by local trainers. It highlights the need to balance between being close to local culture, whilst at the same time managing to change pre-existing rules so as to achieve higher levels of transparency and accountability. It problematizes the "foreign" elements of the institutions because they are far away from the culture, but does not analyse in any greater depth the role of culture. What this case shows is that the SGs are very close in design to the indigenous ASCAs, which have an underlying set of norms about how they are implemented and the exogenous component involves attempting to make the rules more transparent and accountable. Nevertheless, Boettke et al.'s categories enabled us to see how the SG methodology in some senses attempted to achieve a balance between the exogenous, endogenous and well as foreign and indigenous introduction by recognizing the importance of endogenous institutions (ASCAs) and attempting to introduce the methodology indigenously through local trainers by giving them some space for local interpretation. However, beyond this broad assessment Boettke et al. gives little insight into how the dynamics of culture in the local context might operate.

The key elements underpinning the "culture" and influencing group dynamics were the social relations of kinship, gender and age as well as social status. Kinship involves a range of norms

on how to treat relatives and the importance of involving them in activities which are likely to benefit them. What is evident from the findings is that the leaders, in particular, used the power they derived through a range of different social relational statuses whether kin, age, gender or socially based and that these sources of power influenced the way in which the rules were institutionalised. Similarly, the social status of trainers, alongside their gender and age were important to the way that the rules were communicated and enforced.

In order to understand the process of rules introduction in more depth, I turned to Mosse's (2005) actor-oriented approach to examine the way the trainers brokered and translated the approach into practice. His emphasis is on how such actors construct development success and indeed from CARE's point of view the project had been a significant success, which attracted international visitors. This analysis has shown that this 'success' was very variable in reality, which in turn provoked a reaction from the organisation being researched. Beyond this, the analysis has shown how central the process of brokering and translating the SG methodology into practice was, for it helps to explain the differential institutionalisation amongst the groups. It has emerged that there were two extreme styles in operation, with "scenographic competence" and "shows" being used in completely different ways by Timothy and Bosire, the chief protagonists in this regard. Moreover, their previous roles as civil society activist and politician are relevant to the skills they used in implementing the methodology and the outcomes these produced. The remaining two trainers occupied within this range exhibiting the characteristics of "street-level bureaucrats", whereby their intervention was geared towards accommodating local norms in their brokering and translation and hence, not wanting to be too "strict" with the rules so as to "avoid the blame for any possible negative outcome" (Kaler and Watkins 2001, 254) from the community in which they had to continue to live long after the intervention ended.

The detail of different styles of brokering and translation is not central to Mosse's analysis, but rather he focuses on the systematic ways through success in projects is achieved. However, the evidence from the current research suggests that these styles are strongly influenced by the individual characteristics of the trainers, such as age, education and social status derived from positions, which were extraneous to the CARE SG programme. However, these individual characteristics were not all that was involved, for as discussed in chapter six, the values and norms underpinning the different delivery channels also came into play in explaining group success or failure. Regarding which, the analysis showed that it was the delivery channel based in the churches that was the more successful in terms of outcomes, and this also provided a degree of oversight and potential fall back in case disputes occur, none of which was delivered

through the private sector based approach that Bosire was part of. This suggests that underlying frameworks of norms and values influence the styles of brokering and translation in operation. Apart from Timothy's personal status and characteristics, his role operated with an underlying set of norms of the church and with oversight by the church development committee. In the case of Bosire, his role as a politician with the norms of patron-clientelism that underpin this in Kenya helps to explain why he undertook his role in the way he did. Indeed, Bosire's style fits rather better into the older tradition of analysing broking that sees it as a model of exploitation, which in the language of de Sardan (2013) would lead to him being labelled a "crook".

To summarise, this review has demonstrated the ways in which the theories illuminate different dimensions of how institutionalisation takes place. What this analysis has shown is that different theories assisted in analysing different aspects of the process. The analysis with respect to Ostrom's design principle shows that the intervention did not conform to her design principles and that there was especially the need for genuine participation. Mahoney and Thelen's framework highlighted the fact that institutional change is often gradual as well as the importance of power relations in institutional change. This allowed me to analyze the implementation as a process where some trainers attempted to move the group from high level of discretion to low level of discretion as well as the subsequent attrition to high level of discretion in half of the groups. Further, the analysis with respect to Boettke et. al. allowed me to analyse the central role of external intervention in the SG methodology in order to increase transparency and accountability and also allowed the analysis of the interaction between endogenous institutions and external intervention. The analysis also provided an explanation on why external intervention does not easily bring permanent institutional change. Lastly, using Mosse's framework helped me to explain how the variation in institutionalisation of rule following was dependent on the very different ways the different trainers brokered and translated the SG methodology. Mosse's analysis also showed how the gaps between Boettke et. al.' exogenous and endogenous rules can be bridged through the concepts of translation and brokering. However, none of frameworks was able to cover all the of three key areas that were evident from the empirical material - that is, embeddedness, power relations and role of external intervention. In the next and final chapter, I further assess the explanatory power of the theories covered in this chapter for the analysis of development interventions more broadly.

CHAPTER 9. CONCLUSION

9.1. Introduction

In the context of the promotion of SGs by NGOs, this research set out to examine the extent to which the SG rules had been adopted by groups to produce a sustainable model of financial intermediation. Conceptualizing the SG approach as an attempt to create institutional change through the adoption of these rules, led it to seek to examine how theories of institutional change could enable the adoption and use of the SG approach to be explained.

This chapter provides a concluding discussion of this thesis. Section 9.2 summarizes the main findings presented in Chapters five, six and seven. Section 9.3 then assesses the usefulness of the existing institutional change theories for analysing the SG methodology as discussed in Chapter 8. Section 9.4 then draws on the research findings to further reflect on the perspective that institutional theory provides for analysing development interventions. Section 9.5 offers some reflections on the methodology while section 9.6 provides some implications for the policy and practice of SGs.

9.2. Summary of the empirical findings

The intention of institutionalising the SG rules is to provide a level of transparency and accountability that ensures that savings are made, loans are given and repaid on time and that, at the time of share-out, members receive back what is their due as the basic requirements for an ongoing system of financial intermediation. The methodology does this by introducing a set of rules and the technology of a lockable box, passbooks for recording savings and loans, a meeting format and so on. The empirical enquiry focused on 24 groups, with greater depth of investigation of eight. It started by examining the extent to which the rules and procedures of the methodology were in fact being followed.

From the analysis of chapter five, two key features emerged that were highly significant to the ongoing operation of the groups: extensive difficulties in getting loans repaid and instances of misappropriation of funds. In over half of the sampled groups, there were serious problems

with loan repayment. Either the groups shared-out their funds before everybody had repaid or the repayment problems were so severe that they had not managed to do so even twelve months after the original share-out date. Repayment problems, in turn led, to unjust distributional consequences such that the members that had repaid their loans did not receive any or some of their savings back and/or the profit they were entitled to. Moreover, the members who had defaulted were able to use other member's money to benefit themselves. In addition, in groups that performed the share-out, even though some members had not repaid, the defaulters also received their interest (profit), although they were not entitled to it according to the methodology.

Moreover, the findings showed that nearly all the trainers continued to visit the groups after the first cycle was completed - something that was not anticipated by the SG methodology. But despite this, only one diligently tried to intervene to ensure that the accumulated group funds were distributed according to the group rules. In two thirds of the groups misappropriation cases were identified where either the trainers or the group leaders took group funds to which they were not entitled and most of these cases have not been resolved.

Unsurprisingly these problems had an impact on financial performance which showed a downward trend in the Return on Savings (ROS) from the first to third cycles. Given the indications of the literature that aspects of socio-economic difference might contribute to power dynamics that would affect performance, the analysis explored whether the financial performance and rule following was correlated with socioeconomic factors (gender, poverty and inequality) but found that these did not seem to be linked. However, it was found that meeting attendance and rule following did significantly contribute to financial performance. Both in terms of rule following and financial performance Rachuonyo scored higher than Nyamira and the driver of this appeared to be the FBO delivery channel, which scored highest both in terms of rule following and financial performance. In terms of rule following, the groups trained directly by CARE scored lowest and regarding financial performance the groups trained by the franchisee fared the worst.

Therefore, Chapter six offered an examination of how the methodology was actually implemented by the different delivery channels and the trainers. There was analysis of the ways in which the trainers attempted to introduce, monitor and enforce the SG rules so that groups would be able to manage repayment. It emerged from this analysis that the constitution development process did not adequately conform to Ostrom's design principles for the participatory development of the constitution and a learning process regarding what rules work.

The critical failure during this process was that most of the groups did not agree what sanctions they would use if members did not repay on time. Indeed, in most of the groups the trainers did not actually discuss what sanctions were to be or how to enforce them. Although the trainers continued to visit the groups, only the FBO trainer in Rachuonyo had a systematic strategy of supporting enforcement. However, when he finally stopped visiting the groups and doing this, the leaders reported that they did not intend to continue to follow his enforcement strategy. Other trainers attended because they earned money from assisting with the share out calculations, but they were unwilling to get involved in actually enforcing repayment.

The research also revealed major misappropriation cases involving the franchisee and CARE delivery channels themselves. In one, the assistant trainer was able to form and join numerous groups, falsify records and take big loans which she did not repay, resulting in the misappropriation of some hundreds of thousands of shillings. In the other case, a former politician used his power, influence and association with CARE as a pretext to collect yearly registration fees from each group that he had formed. Although the groups did not like this arrangement they believed they had to pay him because as the mobiliser and initiator of the groups he was entitled to his fees.

This revealed that, despite being direct towards the groups of the 'best' trainers, differences in institutionalisation were explained partly by the characteristics of the trainers and delivery channels. The age, education and social status of the trainers appeared to be important in the way they undertook their tasks and, the different values and oversight mechanisms of the delivery channels. The franchisee channel which involved the local politician had deployed – indeed institutionalised - the methodology into an existing set of patron-client relationships. By contrast, the structure of the FBO channel with a committee overseeing the trainers appeared to offer better oversight and ensure that the SG methodology was more closely followed.

Additionally several norms were identified that made the institutionalisation of SG rules difficult. There was, first a norm of fairness that all members – (including those who had not paid in time) should receive their profit, and second that kin cannot be excluded from joining groups. Third, the norm of "sympathy" and fourth, the norm of open ended loans were linked to each other. The norm of sympathy meant that loan repayment was not enforced as long as people "were willing to repay". And as long as people did not run away from groups, other members considered that they were willing to pay. The norm of open ended loans in turn meant that people were not repaying until the group knocked on their door. Fifth, in the Kenyan cultural context paying for services is a norm, be it for the police or the chief or for an

indigenous ASCA manager that charges “registration fees” in the beginning of each cycle. In this context therefore, it was straightforward for a delivery channel manager to impose such fees. These norms appeared to be similar between the two ethnicities

Beyond examining the role of the training and delivery channels, the research examined the internal dynamics of groups to investigate to what extent and how the rules had been adopted internally. Chapter seven gave a quite bleak picture of the ability of the groups, especially their leaders, to institutionalise the rules. In fact, it was the leaders who were responsible for default and misappropriation cases in practically all cases in the more successful groups in the smaller sample of eight groups that were studied in depth. The research found that group members had on the whole understood the rules to an extent that they could see when they were not being followed. And in several of them, this realization led some members to react against their leaders. However, the suspicion led to a change of leaders in several groups, but in most of the cases the default and misappropriation cases were not resolved. In fact, in only one of the groups did the SG methodology directly contribute to effectively sorting out the issues. The analysis revealed that these difficulties of changing leaders were strongest where leaders had recruited their relatives into the groups, indicating the importance of kinship loyalties in preventing such changes. On the other hand, where group recruitment was more diversified it appeared easier to remove leaders.

In the cases where there were challenges to, and changes of leadership, it was evident that the dynamics of social relations were diverse. Apart from the role of kinship, social status outside of the group and age seniority appeared to play a role in power dynamics which trumped gender. Hence, where younger male group members challenged their older female kin who were leaders, they were not successful. On the other hand where male leaders took over from women, they usually had important positions outside of the group that facilitated this.

The analysis on internal group dynamics therefore demonstrates that, although the methodology provided the members with some tools that showed them that there were reasons to be suspicious, in the context of social relationships of kin, gender, age and social status, it alone was insufficient to ensure that breaches of rules could lead to leaders being removed and default and misappropriation cases resolved. Indeed, this in depth evidence revealed that none of these dimensions was clear cut in terms of how they played out and also helps explain why the quantitative results in Chapter five did not reveal clear patterns of performance that were correlated with aspects of social relations.

Indeed, in the brief review of the Kenyan political economy provided in Chapter four, it was shown that patronage politics has led to the situation where the more powerful negotiate or manipulate access to resources as part of their leadership roles. Clients take part in this system, because they hope to receive some small reward. In this investigation this behaviour was most evident in the case of Bosire and to a lesser degree by group leaders who could take advantage of their positions to exploit the resources available to them. Some of the groups nevertheless continued, and leaders were differently adept at concealing their benefits while members were able to continue to get loans and receive some profit. Indeed it was found that the announcing of the group fund was dropped although individual savings, loans and repayment continued to be announced in many groups. Hence the distributional consequences of this behaviour were not necessarily evident to members. This suggests a kind of “equilibrium” within this “parasitic” behaviour such that there was a lack of concern about the overall distribution of resources, as long as the members saw that they individually received some benefit. A situation that seems to reflect aspects of the political economy of Kenya more broadly, such that it is only when these are extreme that attempts to disrupt them come about. So that even in cases where groups continue their operation, this did not mean that they had effectively institutionalised a transparent and accountable set of rules and procedures.

9.3. Institutional change theories and the SG methodology

The analysis employed three institutional theories in order to assess the way in which the SG methodology was operating in practice. Given the high level of abstraction of most institutional theory, Ostrom’s framework for analysing collective action situations was employed in order to give a more detailed structure of rules through which the analysis could proceed. The gradual institutional change theory of Mahoney and Thelen was applied, and the insights that Boettke et al’s theorem were examined. However, the empirical findings of Chapter 6 highlighted the very particular roles of the trainers in implementing the methodology which neither of these theories was able to accommodate. I therefore turned to the actor-oriented sociology of Mosse on brokering and translation as a means of examining these aspects in greater depth.

First, Ostrom’s adapted rules categories highlighted the gaps in the SG methodology, the most critical being the failure to address how to ensure that loans are repaid on time. Further, her design principles of participation, monitoring, enforcement of sanctions and conflict resolution

were laxly introduced and implemented, which hence explains the overall low level of institutionalisation. However, the design principles were unable to elucidate whether there was large variation in the institutionalisation of the rules. The findings indicate that the trainers' role was critical in the way the rules were institutionalised. Consequently, since Ostrom's framework does not focus on external intervention or on the power relations between the trainers and groups or those regarding leaders and members it is not able to explain the different levels of institutionalisation achieved. Finally, Ostrom's framework does not accommodate kinship and local norms that according to the findings also help to provide understanding in relation to the variation in institutionalisation of the rules.

Second, drawing on Mahoney and Thelen's work, I developed a modified framework to identify power relations that had an impact on rule institutionalisation: specifically the veto power of the trainers and the leaders, while also suggesting that institutionalisation in this case was in fact about moving from a high level of discretion to a lower level. Through this it was able to show how there were trainers who through training and monitoring moved the groups from a high level of discretion (low level of rule following) to a low one. However, there were also the counter dynamics of veto power exercised by other trainers and some group leaders to move things in the opposite direction. Moreover, according to Mahoney and Thelen, institutionalisation can take place where there are gaps in compliance. However, these gaps in the SG methodology included, for example, when and how to enforce repayment or how to perform the share-out calculations and rather than this resulting in new rules institutionalisation it led to the maintaining of the status quo in most cases. Moreover, these gaps were the areas where most of variation was found. However, this variation in most of the cases meant that the groups returned to the rules that had pre-existed the SG, i.e. to the indigenous ASCA situation, which fundamentally meant they were not changed.

In line with Ostrom, Mahoney and Thelen do not theorize about external intervention. However, Boettke et al. do so, pointing out how attempts are made from outside to introduce new rules in order to achieve higher levels of transparency and accountability. The proponents of this theory also emphasize the need for a balance between the external and local. The categories of the theorem help to explain how the SG methodology allowed for a balance to be struck between endogenous rules (similar rules as in indigenous ASCAs) and exogenous one that were indigenously introduced by community trainers. However, Boettke et al.'s theorem does not cater for the cultural aspect in any depth and hence, cannot account for the finding that the key drivers of group dynamics were the social relations of kinship and social status. Kinship, in turn, involved a range of norms in relation to how to treat the relatives and to ensure

that they were included in the groups. Moreover, the power of the leaders was derived from social status, gender and age, which also influenced whether and if so, how rules were institutionalised.

Finally, I turned to Mosse's actor-oriented approach on brokering and translating to examine the role of the trainers in greater depth. This helped to explain that the variation in institutionalisation of rules was due to the very different ways in which the trainers brokered relationships and translated the rules to apply the methodology in practice. The analysis highlighted two extremes – a style of “mis-translation” that was more akin to the pathological brokering of previous brokering analysis, in contrast to the rather more successful or “enhanced” brokering which produced much better financial performance outcomes. Never the less, even this enhanced brokering style appeared to be unsustainable in the longer term and did not fully operationalize the more transformatory participatory approach discussed above. Further, the remaining two trainers appeared to operate more in line with the analysis of the literature of “street level bureaucrats” in which they are at pains not to move outside of accepted norms and values as they have to continue to work and live in their communities.

9.4. Development interventions as institutional change

The SG methodology is an example of a development intervention in which NGOs or change agents seek to improve the way indigenous systems of management or governance operate. At the national level, policy reform around the management and governance of public services for example has been extensively reviewed (for example Grindle 2007; Grindle and Thomas 1991) and it is at this national or sectoral level that institutional change theories have tended to be applied (see Mahoney and Thelen, 2010). This study has applied the analysis of institutional change at the level of a micro-level intervention rather than at the wider more national level of institutional change that it has been more generally deployed, however, as a case study it suggests a number of gaps and ways in which research in this area might proceed. First, in its discussion of institutional change theories in relation to SGs, the thesis has made a number of points in Chapters two and eight about the way that these theories relate to analysing a development intervention. I have pointed out that each of the theories addresses some aspects of the puzzle while neglecting others. This section discusses both the contributions these theories offer and the analytical gaps that this research has identified which require further

development of the theory. Ostrom's focus on rules and design principles offered an important starting point for the analysis, and the key contributions of institutional change theories were the recognition of political power dynamics in the theory of Mahoney and Thelen; and of culture and the dynamics of external intervention in the theory of Boettke et al.. But the analysis has demonstrated gaps: first, the need for a more systematic approach to incorporating the role of social norms and embeddedness; and second, the need for a much more nuanced theorizing of the role of external intervention.

The findings indicate that social embeddedness in the form of social and power relations, local norms and culture were critical for the institutionalisation of the rules. Social relations of different forms: kin, gender, age, social status had a critical impact on the institutionalisation of rules by affecting relationships between trainers and members and among members themselves.

However, the different institutional theories do not incorporate these deep aspects of institutions that Williamson (2000) calls the embeddedness level. Whilst Ostrom's framework does identify "attributes of community" these attributes remain little investigated and remain something of a black box for her. While Boettke et al. identify culture as important; they go no further in identifying its dimensions, which this evidence suggests would indeed need to be widened to include dynamics of social relations. In this regard Boettke et al.'s theorem provides concepts only at a very high level of abstraction which cannot be operationalised and hence, empirically investigated.

Indeed, while Boettke's theorem notes that institutions that are very close to "metis" or culture are most likely to "stick" and institutions that are "foreign" are least likely to (FEX), as Goodwin-Groen (2012) notes, the predictive power of the theorem is very weak in the middle ground between these two extremes. In many cases of institutional change – and especially in the context of development interventions - there are indeed both endogenous and exogenous aspects as well as foreign and indigenous introduction. However, Boettke's (2008) theorem is not able to provide any guidance how to judge the conditions under which changes might be more inclined to stick.

Further, this leads to the second issue of the role of external intervention. It is not simply the SG rules that are in some sense "exogenous" but that they were introduced through an exogenous or foreign process – i.e. by an external intervener, the NGO. The NGO sought to use a chain of actors to implement the SG methodology with local groups, which meant that success was dependent not only whether rules were "exogenous" or "endogenous" but very much on

the dynamics of intervention between the CARE's national level office, regional office, field offices, delivery channels, trainers and finally groups. In this context Boettke et al.'s theorem looks rather simplistic compared to Mosse's perspective on how processes of brokering and translating an intervention into practice might in fact take place. According to Boettke et al., if the rules are foreign, they necessarily are not likely to stick while Mosse's analysis attempts to understand how actors in development projects do in fact enable such boundaries to be crossed by bridging the gaps between the intervention and local social dynamics and meanings. In this analysis, I have considered how processes of brokering and translation may in fact be highly individualized with some being rather more successful than others. While this detailed examination of the way different field workers operated was not the focus of Mosse's approach to examining the construction of success by a development project, this analysis does suggest that it is also necessary to recognize the potential for there to be highly divergent styles of brokering and translation and suggests a further arena to consider in the operation of development interventions. While it could be viewed that this was the result of the way the incentive structures of the project interacted with the design of delivery channel (NGO; FBO and private sector), the evidence of significant variation does indicate that the values and organizational structures involved matter and need to be studied.

As has been discussed, Mahoney and Thelen's framework offers an approach to directly addressing the relative power of agents affected by processes of change. This analysis has developed this framework to identify the role of the change agents or external intervention in this process, by suggesting that they can play a positive veto role and not only a negative one. This approach is therefore a further way in which this theory could be extended in order to address the role of external intervention.

In summary, these theories offer useful tools for the analysis of the dynamics of development interventions but their dimensions need to be extended and brought together to provide a more thorough approach to analysis.

9.5. Reflections on the research methodology

The study adopted a mixed methods approach within a critical realist methodology incorporating a realist ontology and interpretivist epistemology. This has allowed the study to investigate both the dynamics of financial performance and its potential determinants while

also recognizing the role of underlying social structures and the importance of meanings and values, and how actors understandings influence outcomes.

A longitudinal research methodology was essential for this type of study, for in addition to it allowing for the capturing of change over time it also served other functions, such as building trust with the groups and gradually uncovering the reality of default and misappropriation. There are few, if any, independent studies of SGs to date that have engaged with groups over such a period in order to understand their dynamics and sustainability. The repeated visits also enabled us to gradually distance ourselves from the intervening organization through which we had initially had to negotiate access. It was in these later visits that the cases of default and misappropriation cases came to light as the group members became more willing to talk openly about what had happened. Further, this familiarity meant that we were able to observe meetings that we attended without this being pre-arranged and gave valuable insights on their operations in practice. However, as reported it was this direct access that was not appreciated by the franchisee owner and led to us being reported to the NGO as asking only, as she put it, “negative” questions about the groups.

The importance of collecting financial information directly from the groups became more evident as the enquiry proceeded. As discussed in Chapter one, studies on savings groups or ROSCAs and ASCAs usually involve undertaking either quantitative or qualitative analysis, but rarely both. Research that uses quantitative data also often draws this from secondary sources, such as the records of the NGOs and now from online repositories of NGO data such as SAVIX⁸² and assumes that these data are reliable. However the findings from the current study have shown that there was a substantial difference between the data from the organization’s own management information system and those which we collected. This underlines the importance of deep engagement to uncover the reality of how money is managed in practice.

As for the weaknesses of the research, arguably a long term ethnographic study would have enabled observation of the initial mobilisation and training of some of the newly formed groups, as well as revealed more about the internal dynamics among group members and how these played out over time between members. However, such ethnographic fieldwork would have required substantially more time and resources than were available for the study and it would also likely have meant that it focused on one area rather than two. The advantage of the approach adopted was that it allowed for investigation of 24 groups, a significantly larger sample over a bigger area than an ethnographic study might have covered. Moreover, although

⁸² Savings Groups Information Exchange -website

a larger quantitative study would have allowed for generalization, it would not have provided rich robust qualitative data that showed how the SGs have been operating, as has been achieved in this research. In sum, the mixed method approach has allowed a more comprehensive perspective by providing data for cross-validation which a choice of ethnographic or quantitative study alone would not have offered.

9.6. Implications for SG policy and practice

The SG methodology has been developed to be a low cost approach to providing a basic form of financial intermediation that is anticipated to be sustainable over the long term. It involves an intervention of relatively short duration - a year – which is intended to institutionalise a set of rules that upgrades the existing ASCA model. However, the findings have shown that institutionalising these rules which involves “institutionalising suspicion” is no easy matter. Institutionalising suspicion is difficult, because when an external intervener attempts to bring in new rules it is confronted by underlying norms and social relations of kinship, gender, age and status that are the cause of inequitable dynamics in the first place. The research has shown that the new rules were subject to attrition over time with the groups tending to return to using rules and norms with which they are more familiar. From the point of view of the policy makers the failure rate was actually quite high even for groups trained by those trainers thought to be providing the highest quality by the NGO. Some 20% of the groups were no longer operational by the end of the field research indicating complete failure, and in over 80% of the groups the members did not get as much profit as they should have or did not get back all their savings due to default and misappropriation. This evidence therefore throws considerable doubt on the success of the intervention as a whole and suggests that the sustainability of groups in adopting the rules over time is likely to be subject to similar processes of attrition.

In this thesis, I have considered this methodology not primarily in terms of the extent to which it provides savings and credit services, - though the assessment of this has also been made - but considered its primary purpose as seeking to develop a system of financial intermediation which would reduce the likelihood of problems associated with indigenous ROSCA and ASCA technologies and upgrade these groups to provide safer and securer services through the institutionalisation of a set of rules. With this understanding of the objective, the analysis has shown that implementers need to pay considerably more attention to how this can actually be

achieved. This approach needs to include an understanding of both the social dynamics within groups and between delivery channels and groups. The findings attest to the somewhat technocratic orientation and “cookie cutter” style of approach to the intervention through the introduction of a box with keys, defined roles for leaders, the introduction of passbooks and ledgers, and training on a set of rules.

Ostrom’s assessment of rules underlines the gaps in the methodology as it stands. In particular it has shown that there is a gap around the way that trainers discuss sanctions and enforcement and support groups to implement these. Also around responsibility for monitoring and the need for greater discussion about the options for resolving conflict within the groups, once they have to resolve matters on their own. Beyond these gaps, Ostrom’s first design principle of participation is critical. It is clear that the way the methodology is introduced does little to enable the members to genuinely participate in the crafting of rules, which she points out needs to be a process of learning about what works. Indeed, this fits with the findings of an extensive range of development literature on the need for participation in development interventions to be transformatory in the way they engage rather than nominal or instrumental (White 1996). It is clear that the current approach is mainly nominal and that a transformatory approach would involve group members being involved in crafting the rules, testing them, reviewing them and modifying them, then embarking on a further cycle of testing. Through this process a transformatory style of participation would lead to learning about when certain rules work and others do not and to a greater ownership of the process.

However, it is important to recognize that implementation is never going to be perfect! While discussing how to transform governance structures, Grindle (2007) points out how challenging this is and hence that “good enough governance” should be the aim rather than “best practice”. Similarly, in this context it is important to ask what “good enough governance” might look like in the context of SGs. It might be unrealistic to expect all groups to function with complete fairness in contexts where kinship and local power relations prevail. The question is therefore what a minimum floor of operation might be which needs to be achieved to ensure a sufficiently fair distribution of the benefits. This thesis has identified a situation in some groups where a kind of equilibrium has been achieved in which leaders benefit more than members but in which members do not lose out. Further examination of this dynamic needs to be undertaken, and consideration given to what it might mean for assessing a minimum standard of financial intermediation.

A further finding was regarding the relationship between the trainers and delivery channel intermediaries and the groups. First, it became evident that trainers who lived in the communities continued to have a relationship with the groups and in most cases continued to benefit from this by providing a service and being paid at share-out for doing this. It was shown that they also had opportunities to take advantage of the way the intervention works either to charge fees, become members of groups giving them access to multiple loan sources or misappropriate funds as group leaders. It showed the influence of the trainers and the desire of members to continue to stay linked to them, often because they are seen as the link to potential future sources of NGO and other support as these trainers and intermediaries clearly have these social connections. As also shown, in one case, a group wanted to be autonomous, but a trainer was deliberately not enabling the group to undertake its own share-out. This therefore reveals the problematic nature of these relationships and again the way power is held and used to benefit. In Kenya, SG interventions are now considering how to enable trainers to form networks and continue to provide support services after the NGO has ended the project. The research shows that in taking this route careful attention needs to be paid to the dynamics of these relationships if institutionalisation of autonomous working is indeed the objective.

Indeed, the research has shown how the delivery channels and trainers were influenced by the values underpinning the delivery channels themselves. When selecting the different delivery channels, CARE was in essence choosing a set of values that either supported this process or undermined it. What is clear is that the incentives provided within the private sector operations, namely the franchisee channel, were counterproductive especially because they operated in a system where there was no impartial oversight or regulation. On the other hand, although the regulation that the FBO channel provided was mostly informal, the underpinning values, namely those of the church, led to the new rules making at least some impact. Hence the different delivery channels should be assessed not only on the potential number of groups they can form, but also on the permanence and values of the institution as well as the oversight structures.

The evidence has also shown the variation in results arising from the differences between trainers themselves and their styles of brokering and translating. This highlights the need to take into consideration how the age, educational background and status of trainers impacts on how they are able to broker and translate the methodology into practice. Indeed, the analysis suggests that the greatest success was where the trainer had a strong understanding and values oriented to ensuring the methodology would work, even where he was clear that people would not like this although in the longer term even this was insufficient to bring about loan

repayment enforcement. This demonstrates just how challenging the role of the trainers is in working against underlying social relations and norms. The importance of a transformatory approach to participation is to ensure that this is not the role of the trainer alone but is in fact institutionalised into the way the intervention itself is implemented.

However, there is another possibility here. The experience of MFOs has been of the need to find strategies to enforce repayment and group members are often looking for this assistance from an external agent. Indeed, as the evidence has shown they do not wish to upset their relatives by having to force them to repay. This fits with the experience of another ASCA programme in Central Kenya in which this was a key role of the ASCA manager (Johnson et al. 2002b). Consequently, an alternative is to deliberately organize this ongoing role and to set up delivery channels that stay in the area so that the groups can invite them whenever they need assistance. However, the terms on which the trainers help the groups should be communicated by the implementing organization, not by the delivery channel or the by the trainers themselves, and with due regard to supervision in order to limit opportunities for misappropriation.

In sum, this evidence has shown that the SG methodology does not provide a simple or straightforward approach to providing basic and sustainable financial intermediation that can be treated as a “cookie cutter” for the purposes of achieving scale at low cost. The institutionalisation of rules is a slow and difficult process that can be improved through the different strategies suggested above, but the idea of the intervention that a year of training is sufficient without either a transformatory participative approach or ongoing support is clearly overly ambitious. Moreover, the dynamics of the intervention revealed here are not dissimilar to those of development interventions in other contexts such as Bangladesh, whether microfinance or empowerment more broadly (e.g. Devine 2003; McGregor 1994). This section has suggested ways in which the intervention could be revised to take into account the findings of this study and to tackle the real difficulties and dynamics involved in “institutionalising suspicion” that will inevitably arise across a range of socio-cultural and political contexts.

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